Close Brothers Group plc
10 Crown Place
London EC2A 4FT
T +44 (0)20 7655 3100
E enquiries@closebrothers.com
W www.closebrothers.com

Registered in England No. 520241

Press Release

Close Brothers Group plc announces

Preliminary results for the year ended 31 July 2013

24 September 2013

Strong financial results

- Strong group performance with adjusted operating profit up 24% to £166.5 million and adjusted basic earnings per share up 23% to 83.1p
- Strong growth in the Banking division, with adjusted operating profit up 17% to £157.8 million, reflecting continued loan book growth of 13% to £4.6 billion and an improved bad debt ratio of 1.2%
- Despite difficult markets, adjusted operating profit in Securities improved slightly to £25.7 million
- Asset Management returned to profitability as expected, with 9% growth in AuM to £9.1 billion
- Maintained prudent funding and liquidity positions and increased core tier 1 capital ratio to 13.3%
- Full year dividend per share up 7% to 44.5p

Financial Highlights for the year ended 31 July	**2013**	2012
Adjusted[1] operating profit	**£166.5m**	£134.2m
Adjusted[2] basic earnings per share	**83.1p**	67.3p
Operating profit before tax (after exceptional items)	**£163.1m**	£134.9m
Basic earnings per share (after exceptional items)	**81.6p**	68.6p
Ordinary dividend per share[3]	**44.5p**	41.5p
Return on opening equity[4]	**15.8%**	12.5%
Core tier 1 capital ratio	**13.3%**	12.8%

[1]Adjusted operating profit is before exceptional items and amortisation of intangible assets on acquisition.
[2]Adjusted basic earnings per share is before exceptional items, amortisation of intangible assets on acquisition and the tax effect of such adjustments.
[3]Represents the final dividend proposed for the respective years together with the interim dividend declared and paid in those years.
[4]Adjusted operating profit after tax and non-controlling interests on opening equity.

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

"Close Brothers has delivered a strong financial performance, with continued good growth in Banking supported by an improving contribution from Securities and Asset Management. We have a strong position in our chosen markets and we remain well funded and capitalised. We continue to see good opportunities for growth and believe we are well positioned for the current financial year."

Enquiries to:

Sophie Gillingham – Investor Relations	Close Brothers Group plc	020 7655 3844
Clara Melia – Investor Relations	Close Brothers Group plc	020 7655 3350
Debbie Nathan – Investor Relations	Close Brothers Group plc	020 7655 3845
Peter Ogden – Media Relations	Maitland	020 7379 5151

A presentation to analysts and investors will be held today at 9.30 am BST at our offices at 10 Crown Place, London EC2A 4FT. A listen-only dial-in facility will be available by dialling +44 20 3059 8125. A recording of this call will be available for replay for two weeks by dialling +44 121 260 4861, access code 8494812#.

About Close Brothers:

Close Brothers makes loans, trades securities and provides financial advice and investment management services.

The Banking division provides specialist lending to small and medium-sized businesses and individuals across a diverse range of asset classes, and also offers deposit taking services.

The Securities division provides trading services to retail brokers and institutions principally through Winterflood, a leading market-maker in the UK.

Close Brothers Asset Management provides a full range of advice, investment management and self directed services to private and corporate clients and professional advisers.

Close Brothers was established in 1878 and since then has held true to the principles of merchant banking – supporting small businesses and individuals through all conditions.

Close Brothers today employs over 2,500 people, principally in the UK. Close Brothers Group plc is listed on the London Stock Exchange and is a member of the FTSE 250.

OVERVIEW

Chairman's and Chief Executive's Statement

We are pleased to report another year of significant progress for the group. We have delivered a strong set of financial results, reflecting the strength and stability of our simple, prudent business model in a period of continued economic uncertainty. We have continued to build on our successful track record of earnings growth, supporting our strong capital position and enabling us to continue to grow the dividend.

Strong financial performance

The financial year was again shaped by a subdued economic environment, with slow growth and events in the Eurozone continuing to impact sentiment. Against this challenging backdrop we had a strong year with good growth in both revenues and profit. Adjusted operating income increased 10% to £582.9 million (2012: £531.7 million) and adjusted operating profit increased 24% to £166.5 million (2012: £134.2 million), reflecting strong growth in Banking and a return to profitability in Asset Management. Adjusted basic earnings per share increased 23% to 83.1p (2012: 67.3p), while basic earnings per share increased 19% to 81.6p (2012: 68.6p). Overall the group's return on opening equity improved to 16% (2012: 12%).

The group has maintained a strong capital and funding base to support growth, with all ratios remaining well ahead of regulatory requirements. During the year, our core tier 1 capital ratio improved to 13.3% (31 July 2012: 12.8%), and our leverage ratio also increased slightly to 9.8% (31 July 2012: 9.7%). We expect to meet all regulatory requirements of the Basel III capital framework being implemented in Europe under CRD IV.

Dividend

Recognising our strong financial performance in the year and continued confidence in our longer-term prospects, the board is recommending a 2.0p increase in the final dividend to 29.5p (2012: 27.5p) per share. This results in a full year dividend per share of 44.5p (2012: 41.5p), up 7%.

Simple business model and clear, consistent strategy

We continue to benefit from our focus on our core business activities in areas where we have significant expertise, and we have always set ourselves apart through our prudent and conservative approach to managing our balance sheet and capital position. We have continued to support our customers through a range of economic conditions and overall our strategy has remained unchanged.

Our Banking division continues to maintain its distinctive, specialist, local lending model and our loan book is differentiated by being predominantly secured, small ticket and short term. By staying focused on this model in all market conditions, we have maintained good growth while achieving consistently high returns. During the 2013 financial year, the loan book increased 13% to £4.6 billion (31 July 2012: £4.1 billion), the net interest margin remained strong at 8.8% (2012: 9.4%) and the bad debt ratio continued to improve to 1.2% (2012: 1.5%). As a result we maintained a good return on net loan book of 3.6% (2012: 3.6%). The division continues to generate strong profit growth with adjusted operating profit increasing 17% to £157.8 million (2012: £135.0 million) in the year.

Our Securities division has remained consistently profitable throughout the cycle, demonstrating its resilience in difficult trading conditions. In the year, despite continued low investor risk appetite, the division's adjusted operating profit increased 5% to £25.7 million (2012: £24.5 million) and Winterflood's adjusted operating profit increased 6% to £16.9 million (2012: £16.0 million). Our priority remains to maintain our trading capacity, and our flexible cost model maximises profitability in all market conditions. Through the skill and experience of our traders, Winterflood achieved a trading profit on 245 out of 253 trading days in the year.

Chairman's and Chief Executive's Statement continued

In Asset Management we have completed our restructuring and have refocused the division on wealth management for the UK private client market. As part of our strategy, we have established a business model and propositions that are designed to benefit from market changes driven by technology, demographics and regulation, particularly RDR which came into effect on 1 January 2013. Our integrated propositions, providing both advice and investment management, have been well received by clients and we are seeing strong inflows across our multiple distribution channels. In the year, Assets under Management ("AuM") increased 9% to £9.1 billion (2012: £8.3 billion), reflecting market movements, and the division returned to profitability as planned, delivering an adjusted operating profit of £4.0 million (2012: loss of £4.3 million).

Long-term relationships underpinned by strong expertise

It is clear that trust in the financial services sector and consumer confidence continue to be low. Despite this, we have successfully continued to build our business through the cycle, supporting SMEs as their businesses grow, providing continuous liquidity to retail brokers through Winterflood, and providing wealth management services to a wide range of private clients.

Over the years we have remained differentiated through our distinctive client proposition, and the way we do business resonates with our customer base. We believe this reflects the strong legacy of Close Brothers and the fact that all three divisions, while serving different client bases, share the same commitment to service, based on the traditional values of merchant banking applied to the modern business world. We recognise that relationships are critical to our success and our clients benefit from long-term, consistent contact with our expert teams across all three divisions.

Our lenders are highly experienced with a strong understanding of their local markets. We have 500 sales staff operating from more than 40 offices. Our management teams in the Banking division have on average well over 20 years' experience in their niche, specialist fields, and many customer relationships are of a similar tenure. We know and understand our customers' needs which, together with our consistent pricing and underwriting through the cycle, have helped us to generate consistently high repeat business levels.

Winterflood has around 90 skilled traders and is connected to over 40 trading venues. Our strong relationships with more than 450 stockbrokers and financial institutions, and our proprietary technology, have helped us to maintain our leading market share and consistent position as the number one market-maker to retail brokers in the UK. Similarly Seydler has maintained its position as the market leading designated sponsor in Germany, and has successfully leveraged these client relationships to build a strong capital markets franchise.

In Asset Management we have built a strong national presence, having fully integrated the regional businesses acquired over the last few years. At 31 July 2013 we had around 130 advisers in 10 UK offices and 50 investment professionals. We have received strong external recognition for the quality of our investment products and the service we provide to our clients, receiving a number of awards in the year including the "Financial Advisory Firm of the Year" at the Citywealth Magic Circle Awards and winning two Private Asset Manager awards.

In order to provide customers across the group with the highest level of service, we continuously invest in developing the skills of our people, as well as expanding our distribution networks through attracting and retaining new talent. We are also investing in technology, to complement the skill of our people and enhance our level of service, enabling us to adapt to changes in customer behaviour and the market environment.

Chairman's and Chief Executive's Statement continued

For example, recognising that the speed of our decision making is critical to our success, we have enhanced our point of sale capabilities in the Banking division. In motor finance we have developed "e-click" which enables us to approve and issue funds within 20 minutes while maintaining the same level of credit control. Similarly Winterflood continues to focus on developing its technology to maintain its market leading position.

Well positioned for continued good performance

We remain focused on driving organic growth and believe that all of our divisions are now well positioned to deliver continued good performance. We believe that there are significant opportunities in the UK's markets, and that the group's UK focus places us in a strong position to make the most of these.

In the Banking division, we have a proven track record of sustainable growth and continue to believe there are good opportunities for further penetration into our existing markets. There is widespread recognition of the role SMEs will play in the economic recovery, but they remain under-served by the banking sector. We currently lend to over 23,000 SMEs in our Commercial businesses and we believe that our cautious, high quality credit underwriting and service-led approach together with our reputation as a trusted, reliable lender place us in a strong position for further growth in this market.

We also continuously explore opportunities to grow in adjacent areas which share common attributes with our core lending businesses. For example, in recent years we have expanded our motor finance business to serve larger, franchised motor dealerships, and we are developing our business which provides bespoke leasing solutions in asset finance.

In Securities, Winterflood continues to focus on its core market-making activities, maintaining its leading position while markets have remained difficult. An active secondary market is, to an extent, dependent on an active primary market. Last year, UK IPO activity was well below pre-financial crisis levels and new money raised on AIM, which generates the higher margin trades for Winterflood, continued to be at historically low levels. Winterflood's performance is highly sensitive to retail investor sentiment and although risk appetite remained low during the year, a number of changes in the UK, such as increased primary market activity or increased retail trading on AIM, could improve trading conditions for Winterflood.

We also believe that significant market opportunity exists in the UK for our Asset Management division. Post RDR, the industry remains fragmented and we are well placed to attract new clients and assets following the transformation of our business over the last three years. We have developed a scalable business from which we can build our core flows while driving operating leverage. We are generating strong asset inflows, and at the same time, we remain focused on improving our operational efficiency. As a result, we are making good progress towards our medium-term targets to achieve a revenue margin of around 100 basis points and an operating margin of 15% by the 2015 financial year.

Board changes

Douglas Paterson has decided to retire as a director of the company and consequently will not seek re-election at the Annual General Meeting on 21 November 2013. He was appointed to the board in July 2004 and has served as chairman of the Audit Committee. We thank him for his valued contribution to the group.

The board has appointed Shonaid Jemmett-Page to succeed Douglas Paterson as chairman of the Audit Committee with effect from 21 November 2013, following the conclusion of the Annual General Meeting.

Chairman's and Chief Executive's Statement continued

Outlook

Overall, the group is well positioned looking ahead to the 2014 financial year.

We continue to see good opportunities for growth in the Banking division and Securities remains well placed for any sustained improvement in trading conditions. In Asset Management we expect continued progress towards our medium-term targets.

We are confident in our outlook for the current financial year.

FINANCIAL REVIEW

Overview

The group has achieved a strong performance in the year, with adjusted operating profit growth of 24% to £166.5 million (2012: £134.2 million) driven by improved contributions from all three divisions. In the Banking division, good loan book growth of 13% and lower bad debts led to another strong performance. In Securities, performance for the year improved slightly although conditions remained challenging. Following a period of restructuring and investment, Asset Management returned to profitability as planned during the year.

Group Income Statement

	2013 £ million	2012 £ million	Change %
Adjusted operating income	**582.9**	531.7	10
Adjusted operating expenses	**(365.8)**	(339.9)	8
Impairment losses on loans and advances	**(50.6)**	(57.6)	(12)
Adjusted operating profit	**166.5**	134.2	24
Exceptional income	**1.6**	5.6	(71)
Amortisation of intangible assets on acquisition	**(5.0)**	(4.9)	2
Operating profit before tax	**163.1**	134.9	21
Tax	**(42.6)**	(33.5)	27
Non-controlling interests	**(1.1)**	(1.7)	(35)
Profit attributable to shareholders	**119.4**	99.7	20
Adjusted basic earnings per share	**83.1p**	67.3p	23
Basic earnings per share	**81.6p**	68.6p	19
Ordinary dividend per share	**44.5p**	41.5p	7

Note: Adjusted operating income, expenses, operating profit and earnings per share exclude the effect of exceptional items and amortisation of intangible assets on acquisition, and in the case of earnings per share, the tax effect of such adjustments.

Strong profit growth

Adjusted operating income increased 10% to £582.9 million (2012: £531.7 million) reflecting continued good growth in the Banking division as well as higher income in Asset Management. Despite difficult markets for most of the year, Securities income also improved slightly.

Adjusted operating expenses increased 8% to £365.8 million (2012: £339.9 million) as we continue to invest in strengthening the capacity of our businesses while managing costs appropriately as we grow. The increase in the year principally reflects volume related costs and investment in infrastructure and technology in the Banking division. In Asset Management, costs were unchanged notwithstanding the growth in revenue and assets, and in Securities, Winterflood's expenses were broadly stable. Overall, the compensation ratio (total staff costs on adjusted operating income excluding associate income) remained unchanged at 38% (2012: 38%) and the group's expense/income ratio improved to 63% (2012: 65%).

The group continues to apply consistent underwriting criteria when originating loans, and in the year impairment losses on loans and advances ("bad debts") reduced further to £50.6 million (2012: £57.6 million), despite the growth in the loan book. As a result, the bad debt ratio improved to 1.2% (2012: 1.5%).

Overall, adjusted operating profit for the group increased 24% to £166.5 million (2012: £134.2 million), resulting in an improved operating margin of 28% (2012: 24%) and a return on opening equity of 16% (2012: 12%).

FINANCIAL REVIEW

Overview continued

Adjusted operating profit in the Banking division increased 17% to £157.8 million (2012: £135.0 million) reflecting good loan book growth of 13% and the continued reduction in bad debts. Securities increased slightly overall with adjusted operating profit of £25.7 million (2012: £24.5 million) reflecting a slightly improved performance from Winterflood, and a better performance from Seydler which more than offset a lower contribution from Mako. As expected, Asset Management delivered a small adjusted operating profit of £4.0 million (2012: loss of £4.3 million) reflecting good income growth and disciplined cost management. The group net expenses remained unchanged at £21.0 million (2012: £21.0 million), consistent with the last few years. These include the central functions which support the divisions, such as legal, finance, human resources, audit, compliance, corporate development and risk, and the group's general policy is not to reallocate these costs to the divisions.

We recorded net exceptional income of £1.6 million (2012: £5.6 million) relating to the reduction of our holding in Mako, which reduced from 27.3% to 21.3% during the year, and reduced further to 16.3% post the period end. Additionally, in line with our normal accounting policy, we recorded charges for amortisation of intangible assets on acquisition of £5.0 million (2012: £4.9 million).

After exceptional income and amortisation of intangible assets on acquisition, operating profit before tax increased 21% to £163.1 million (2012: £134.9 million).

In the 2013 financial year the tax charge was £42.6 million (2012: £33.5 million), up 27% reflecting the increase in operating profit in the year. This corresponds to an effective tax rate of 26% (2012: 25%), above the UK corporation tax rate of 24% (2012: 25%) principally reflecting a write-down of the group's deferred tax assets as the UK corporation tax rate reduced. The substantial majority of the group's earnings are generated in the UK and comprise normal trading income, and as a result the group has a straightforward tax profile with a transparent charge. Typically the group's effective tax rate, before the effect of any non-tax deductible exceptional items, has therefore been broadly consistent with the UK corporation tax rate.

Divisional Adjusted Operating Profit/(Loss)

	2013		2012		Change
	£ million	**%**	£ million	%	%
Banking	**157.8**	**84**	135.0	87	17
Securities	**25.7**	**14**	24.5	16	5
Asset Management	**4.0**	**2**	(4.3)	(3)	
Total divisions	**187.5**	**100**	155.2	100	21
Group	**(21.0)**		(21.0)		-
Adjusted operating profit	**166.5**		134.2		24

Good shareholder returns

The group delivered profit attributable to shareholders of £119.4 million (2012: £99.7 million), an increase of 20% in the year. Basic earnings per share increased 19% to 81.6p (2012: 68.6p), and adjusted basic earnings per share, excluding exceptional income and amortisation of intangible assets on acquisition, increased 23% to 83.1p (2012: 67.3p).

The board is recommending an increase of 2.0p in the final dividend to 29.5p (2012: 27.5p) per share, corresponding to a 7% increase in the total dividend to 44.5p (2012: 41.5p) per share. This reflects the strong profit growth in the period which has allowed the group to maintain progressive dividend growth while strengthening the dividend cover. The final dividend will be paid on 26 November 2013 to shareholders on the register at 18 October 2013.

FINANCIAL REVIEW

Overview continued

Simple and transparent balance sheet

Group Balance Sheet

	31 July 2013 £ million	31 July 2012 £ million
Assets		
Cash and loans and advances to banks	**1,025.2**	816.8
Settlement balances, long trading positions and loans to money brokers	**595.5**	598.5
Loans and advances to customers	**4,645.6**	4,125.9
Non-trading debt securities	**96.2**	353.0
Intangible assets	**141.6**	139.7
Other assets	**330.9**	321.9
Total assets	**6,835.0**	6,355.8
Liabilities		
Settlement balances, short trading positions and loans from money brokers	**491.7**	501.7
Deposits by banks	**66.6**	88.0
Deposits by customers	**4,015.4**	3,448.1
Borrowings	**1,170.2**	1,322.3
Other liabilities	**250.6**	225.9
Total liabilities	**5,994.5**	5,586.0
Equity	**840.5**	769.8
Total liabilities and equity	**6,835.0**	6,355.8

The group maintains a simple and transparent balance sheet and is focused on maintaining the quality of its assets. During the year total assets increased 8% to £6,835.0 million (31 July 2012: £6,355.8 million) driven by growth in the loan book. Our customer loan book and high quality liquid assets, held to meet the liquidity requirements of our Banking operations, now account for over 80% of the group's total assets.

Maintain focus on credit quality of loan book

Loans and advances to customers increased 13% to £4,645.6 million (31 July 2012: £4,125.9 million) and accounted for 68% (31 July 2012: 65%) of the group's total assets. The group is committed to maintaining a high quality loan book by adhering to consistent lending principles underpinned by local underwriting expertise based on deep knowledge of the underlying asset. Around 90% of the loan book is secured on a range of assets, including plant and machinery, property, motor vehicles and invoice receivables, and the group seeks to maintain appropriate diversity within its portfolio to avoid concentration risk.

The group has maintained consistent and prudent loan-to-value ratios and closely monitors these against market movements. The group's lending remains short-term, with over half the loan book on a residual contractual maturity of less than one year, and with an average maturity of 13 months (31 July 2012: 14 months). The discipline applied to every stage of the lending process enables the group to maintain strong credit quality as it grows.

Maintain efficiency of other assets and liabilities

The group continues to hold liquidity principally in the form of high quality liquid assets. In the year, cash and loans and advances to banks increased 26%, or £208.4 million, to £1,025.2 million (31 July 2012: £816.8 million), principally reflecting an increase in deposits at the Bank of England to £935.3 million (31 July 2012: £706.8 million). Overall non-trading debt securities, which include floating rate notes ("FRNs"), certificates of deposit ("CDs") and gilts, reduced to £96.2 million (31 July 2012: £353.0 million).

Overview continued

The group's settlement balances, long and short trading positions and loans to and from money brokers relate to the market-making activities of Winterflood and Seydler. At the balance sheet date, the asset and liability balances were broadly unchanged compared to the prior year at £595.5 million (31 July 2012: £598.5 million) and £491.7 million (31 July 2012: £501.7 million) respectively. As a result, the net position also remained broadly stable at £103.8 million (31 July 2012: £96.8 million).

The group's liabilities principally reflect funding for the loan book in the form of customer deposits and borrowings. Deposits by customers increased 16%, or £567.3 million, to £4,015.4 million (31 July 2012: £3,448.1 million) with good growth in both term retail and corporate deposits.

The group also renewed over £1 billion of facilities that were approaching maturity. Together with the growth in customer deposits, this met the group's funding requirements, and overall borrowings reduced to £1,170.2 million (31 July 2012: £1,322.3 million) as some smaller facilities were not renewed or replaced.

Total equity increased £70.7 million to £840.5 million (31 July 2012: £769.8 million) reflecting profit for the period of £120.5 million, and positive movements in other reserves, partly offset by dividend payments of £61.5 million.

Strong funding and liquidity

The objective of the Treasury function is to provide funding for the group's lending operations, while maintaining a sound level of liquidity. Funding markets over the last 12 months have improved and the group remains well positioned to access both wholesale facilities and deposits.

Diverse range of funding sources

Group Funding Overview

	31 July 2013 £ million	31 July 2012 £ million	Change £ million
Deposits by customers	**4,015.4**	3,448.1	567.3
Drawn and undrawn facilities[1]	**1,211.1**	1,436.7	(225.6)
Group bond	**204.9**	204.5	0.4
Equity	**840.5**	769.8	70.7
Total available funding	**6,271.9**	5,859.1	412.8

[1]Includes £265.0 million (31 July 2012: £331.9 million) of undrawn facilities and excludes £19.3 million (31 July 2012: £13.0 million) of non-facility overdrafts included in borrowings.

The group's funding position has remained strong, and total available funding increased 7%, or £412.8 million, to £6,271.9 million (31 July 2012: £5,859.1 million), principally reflecting growth in customer deposits. The group manages its available funding relative to the loan book and in the period this remained strong at 135% (31 July 2012: 142%).

The group has continued to focus on maintaining the diversity and maturity of its funding sources as it grows. Customer deposits consist of both corporate deposits, from long-standing, established relationships, and longer-term retail deposits. In the year the group raised net new customer deposits of £567.3 million (31 July 2012: £277.6 million) increasing the total customer deposit base by 16% to £4,015.4 million (31 July 2012: £3,448.1 million). The growth reflects strong demand by corporate depositors, particularly for our new corporate notice account products introduced in the year, and new term retail deposit offerings at the start of the year.

FINANCIAL REVIEW

Overview continued

During the year, the group renewed over £1 billion of existing facilities approaching maturity, including securitisations on the premium finance and motor finance loan books of £850.0 million, which together with strong customer deposit growth was sufficient to meet the group's funding requirements. Consequently, some smaller facilities that matured in the period did not need to be replaced and overall drawn and undrawn facilities reduced to £1,211.1 million (31 July 2012: £1,436.7 million).

Prudent maturity profile

Group Funding Maturity Profile

	Less than one year £ million	One to two years £ million	Greater than two years £ million	Total £ million
Deposits by customers	2,925.8	879.0	210.6	4,015.4
Drawn and undrawn facilities	21.1	445.0	745.0	1,211.1
Group bond	6.2	-	198.7	204.9
Equity	-	-	840.5	840.5
Total available funding at 31 July 2013	**2,953.1**	**1,324.0**	**1,994.8**	**6,271.9**
Total available funding at 31 July 2012	3,100.4	1,492.5	1,266.2	5,859.1

The group maintains a prudent maturity profile, and in the period our term funding, with a residual maturity of greater than one year, increased to £3,318.8 million (31 July 2012: £2,758.7 million) principally reflecting renewals of existing facilities, including an extension of the maturity on both securitisations. As a result, term funding covered 71% (31 July 2012: 67%) of the loan book at the balance sheet date.

The weighted average maturity of this term funding, excluding equity, was broadly unchanged at 26 months (31 July 2012: 27 months) and remains significantly ahead of the average maturity of the loan book of 13 months (31 July 2012: 14 months).

Sound level of high quality liquidity

The group further strengthened the quality of its treasury assets, while maintaining a prudent level of liquidity overall that is comfortably ahead of regulatory requirements. As a core part of our liquidity risk management, we regularly carry out stress testing using various stress scenarios. As a result, the group remains confident that it holds sufficient liquidity to cover net cash outflows under stressed conditions.

Treasury Assets

	31 July 2013 £ million	31 July 2012 £ million	Change £ million
Gilts	**46.7**	100.1	(53.4)
Bank of England deposits	**935.3**	706.8	228.5
High quality liquid assets	**982.0**	806.9	175.1
Certificates of deposit	**10.1**	130.3	(120.2)
Floating rate notes	**39.4**	122.6	(83.2)
Total treasury assets	**1,031.5**	1,059.8	(28.3)

Overview continued

The group has continued to increase its holding of high quality liquid assets, which accounted for over 95% (31 July 2012: 76%) of total treasury assets at the balance sheet date. During the year, these increased to £982.0 million (31 July 2012: £806.9 million) principally through an increase in deposits at the Bank of England to £935.3 million (31 July 2012: £706.8 million). Given low yields in the UK gilt market, gilts that matured in the year were not replaced and as a result the balance reduced to £46.7 million (31 July 2012: £100.1 million), with the proceeds placed into deposits at the Bank of England.

In addition, the group's holding of CDs reduced to £10.1 million (31 July 2012: £130.3 million), as the group chose not to replace those that matured in the low yield environment.

The group has continued to reduce its holding of less liquid FRNs and its residual holding was £39.4 million (31 July 2012: £122.6 million) at 31 July 2013. These remaining FRNs were sold after the period end.

Credit ratings

The credit ratings for Close Brothers Group plc and Close Brothers Limited ("CBL"), the group's regulated banking subsidiary, issued by Fitch Ratings ("Fitch") and Moody's Investors Services ("Moody's"), were reaffirmed during the year. For Close Brothers Group plc, these are A/F1 by Fitch and Baa1/P2 by Moody's and for CBL these are A/F1 by Fitch and A3/P2 by Moody's.

Strong capital position maintained

Group Capital Position

	31 July 2013 £ million	31 July 2012 £ million
Core tier 1 capital ratio	**13.3%**	12.8%
Total capital ratio	**14.7%**	14.5%
Leverage ratio[1]	**9.8%**	9.7%
Core tier 1 capital	**691.5**	620.8
Total regulatory capital	**762.9**	702.9
Risk weighted assets	**5,188.5**	4,859.7

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

In the year, the core tier 1 capital ratio strengthened to 13.3% (31 July 2012: 12.8%) principally reflecting the group's strong profitability, a moderation in loan book growth and the reclassification of Mako to an equity investment.

Core tier 1 capital increased 11%, or £70.7 million, to £691.5 million (31 July 2012: £620.8 million) due to growth in profit attributable to shareholders and positive movements in other reserves, partly offset by dividend payments. This more than offset the increase in risk weighted assets of 7% to £5,188.5 million (31 July 2012: £4,859.7 million), due to growth in credit and counterparty risk associated with the loan book which was partly offset by a reduction in risk weighted assets for operational risk reflecting lower trading activity in Securities in recent years.

Overview continued

The group remains well positioned ahead of the implementation of Basel III in the European Union under CRD IV. We currently estimate that applying CRD IV on a pro forma, fully loaded basis at 31 July 2013 would result in a net increase in our core tier 1 capital ratio of approximately 0.8%. This is driven by a recently introduced discount to the risk weighting for lending to SMEs which will apply to a significant proportion of the group's risk weighted assets. The new CRD IV regime will apply to our capital ratios to be reported at 31 January 2014.

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 July 2013, the leverage ratio increased to 9.8% (31 July 2012: 9.7%) reflecting the strong profit growth in the year. 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.

BUSINESS REVIEW

Banking

The strategy of the Banking division continues to be focused on capturing sustainable growth opportunities while maintaining the overall quality of our lending model to drive consistently high returns. The strategic priorities of the division remain unchanged, having enabled us to maintain our strong track record of profitability in all market conditions:

- Sustainable growth through strong customer relationships
- Maintaining loan book quality through consistent lending model
- Continued investment to support further growth

Overview of financial performance

Key Financials

	2013 £ million	2012 £ million	Change %
Adjusted operating income	**396.2**	361.5	10
Net interest and fees on loan book[1]	**386.6**	354.0	9
Retail	**152.6**	144.9	5
Commercial	**173.4**	161.1	8
Property	**60.6**	48.0	26
Treasury and other non-lending income	**9.6**	7.5	28
Adjusted operating expenses	**(187.8)**	(168.9)	11
Impairment losses on loans and advances	**(50.6)**	(57.6)	(12)
Adjusted operating profit	**157.8**	135.0	17
Key Performance Indicators			
Net interest margin[2]	**8.8%**	9.4%	
Bad debt ratio[3]	**1.2%**	1.5%	
Return on net loan book[4]	**3.6%**	3.6%	
Return on opening equity[5]	**24%**	22%	

1 Includes £294.0 million (2012: £263.7 million) net interest income and £92.6 million (2012: £90.3 million) other income. Other income includes net fees and commissions, operating lease income, and other miscellaneous income. For further information on our operating leases, please refer to note 11.

2 Net interest and fees on loan book on average net loans and advances to customers.

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

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

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

The Banking division achieved another strong performance with the loan book increasing 13% to £4.6 billion (31 July 2012: £4.1 billion) and strong growth in profit.

Adjusted operating income increased 10% to £396.2 million (2012: £361.5 million). This was driven by a £32.6 million increase in net interest and fees on the loan book to £386.6 million (2012: £354.0 million), with good growth across Retail, Commercial and Property. Treasury and other non-lending income contributed £9.6 million (2012: £7.5 million).

Banking continued

Adjusted operating expenses increased by 11% to £187.8 million (2012: £168.9 million), predominantly reflecting volume related costs as the loan book grows, as well as continued investment. The division's ongoing focus on further improving credit management and control has supported the continued reduction in bad debt charges, which fell 12% to £50.6 million (2012: £57.6 million), despite the growth in the loan book. Overall, adjusted operating profit for the division grew 17% year on year to £157.8 million (2012: £135.0 million), corresponding to an improved operating margin of 40% (2012: 37%) and a return on opening equity of 24% (2012: 22%).

Sustainable growth through strong customer relationships

The division's long-standing customer relationships together with our local knowledge and expertise have enabled us to maintain a strong track record of growth in all market conditions. While there have been some signs of competition returning, the market is still fragmented with new entrants typically having relatively small scale. Similarly, government incentives to increase the overall lending supply have had a limited impact and overall our competitive landscape is broadly unchanged.

Overall we continue to see good demand for specialist, tailored finance and, during the year, we had strong levels of new business, grew our customer numbers, and maintained high levels of repeat lending. As a result, the loan book grew by 13% to £4.6 billion (31 July 2012: £4.1 billion) with good growth across Retail, Commercial and Property.

Loan Book Analysis

	31 July 2013 £ million	31 July 2012 £ million	Change %
Retail	**1,906.0**	1,707.8	12
Motor finance	**1,278.3**	1,086.8	18
Premium finance	**627.7**	621.0	1
Commercial	**1,845.7**	1,635.9	13
Asset finance	**1,482.3**	1,327.2	12
Invoice finance	**363.4**	308.7	18
Property	**893.9**	782.2	14
Closing loan book	**4,645.6**	4,125.9	13

The Retail loan book increased 12% to £1,906.0 million (31 July 2012: £1,707.8 million) driven by strong growth in motor finance, which provides point of sale finance largely for second hand cars. Despite rapid growth in the new car finance market, the motor finance loan book grew 18% to £1,278.3 million (31 July 2012: £1,086.8 million) reflecting increased volumes from existing dealerships as well as growth in the larger dealerships business. The premium finance loan book was broadly flat at £627.7 million (31 July 2012: £621.0 million), reflecting continued lower demand in commercial lines.

In Commercial, the loan book increased 13% to £1,845.7 million (31 July 2012: £1,635.9 million). This was mainly driven by growth in the asset finance loan book to £1,482.3 million (31 July 2012: £1,327.2 million), up 12%, with good growth across the sectors. The competitive environment remains fragmented and we have also been able to take advantage of the opportunities created as other banks have withdrawn from our markets, such as expanding our broker distribution network. In invoice finance, despite continued competition, we generated solid new business during the year, and the loan book grew 18% to £363.4 million (31 July 2012: £308.7 million).

Property benefited from continued strong demand and low levels of competition. The loan book increased 14% to £893.9 million (31 July 2012: £782.2 million) reflecting solid new business volumes in both residential development loans and bridging finance.

Banking continued

Maintaining loan book quality through consistent lending model

While the external economic environment remains subdued, we have continued to benefit from our consistent lending principles and underwriting discipline. As the business continues to grow we remain focused on the quality of our loan book, supported by secured lending against asset classes in which we have specialist knowledge.

The net interest margin, which includes net interest income and other lending related income, remained strong at 8.8% (2012: 9.4%) albeit lower than the prior year. This moderation reflects growth in lower margin, lower risk products, as well as lower default and settlement fee income as the credit quality of the loan book continues to improve. Other income, which includes net fees and commissions as well as operating lease income, continues to account for around 24% (2012: 26%) of total net interest and fee income.

We continuously focus on maintaining the credit quality of the loan book as it grows, and we have invested in improving our credit management systems while continuing to underwrite around 90% of loans manually, which supports our strong credit performance. We also benefit from our local knowledge, with our businesses given end-to-end responsibility for loans from origination to collection. This helps to maintain our low bad debt ratio, which remains at the lower end of the longer-term range. During the year the bad debt ratio reduced to 1.2% (2012: 1.5%) reflecting continued improvement in the overall credit quality of the loan book across Retail, Commercial and Property.

As a result of these strong margins and low impairments, the division has maintained consistently high returns throughout the cycle, with the return on net loan book (adjusted operating profit before tax on average net loans and advances to customers) consistent at 3.6% (2012: 3.6%).

Continued investment to support further growth

The division continues to invest to support growth, building our sales capacity through new hires while enhancing technology to manage risk and optimise efficiency in our systems. Adjusted operating expenses in the year increased 11% to £187.8 million (2012: £168.9 million), largely due to volume driven costs as the loan book grows. These included higher staff costs, reflecting an increase in headcount to support our local, high-touch model, and an increase in performance related compensation, in line with the growth in adjusted operating profit.

In addition, information technology costs increased modestly in the year, to support the implementation and ongoing development of efficient management and control functions across the division. We also continually adapt our customer proposition in response to changing client demands and have, for example, also invested in enhancing our lending systems and point of sale capabilities during the year. As a result overall investment spend, including associated depreciation and amortisation from the prior year investment, increased slightly year on year.

Overall, the expense/income ratio and the compensation ratio remained stable at 47% (2012: 47%) and 27% (2012: 27%) respectively.

We continue to see good opportunities for growth across our lending businesses and will continue to maintain a disciplined approach to controlling costs, prioritising investment spend to best support our customers and loan book growth.

BUSINESS REVIEW

Securities

Within the Securities division, our strategic focus continues to be on maintaining our leading market positions in all trading conditions. During the year we have delivered on our strategic priorities:

- Maximising revenue opportunities in variable market conditions
- Maintaining trading capacity and leading market position
- Remaining well positioned for any sustained recovery

Overview of financial performance

Key Financials

	2013 £ million	2012 £ million	Change %
Adjusted operating income	**106.3**	101.4	5
Winterflood	**74.6**	73.2	2
Seydler	**30.8**	21.0	47
Mako (associate income after tax)	**0.9**	7.2	(88)
Adjusted operating expenses	**(80.6)**	(76.9)	5
Winterflood	**(57.7)**	(57.2)	1
Seydler	**(22.9)**	(19.7)	16
Adjusted operating profit	**25.7**	24.5	5
Winterflood	**16.9**	16.0	6
Seydler	**7.9**	1.3	
Mako (associate income after tax)	**0.9**	7.2	(88)

Key Performance Indicators

	2013	2012
Winterflood income per bargain	**£6.33**	£6.18
Winterflood average bargains per day ('000)	**47**	47
Operating margin[1]	**24%**	18%
Return on opening equity[2]	**20%**	13%

[1] Adjusted operating profit on adjusted operating income after excluding associate income.

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

Trading conditions at the start of the year were difficult for Winterflood, with low equity market trading volumes driven by continued investor uncertainty and negative sentiment. However, Winterflood benefited from the increase in investor confidence and equity market rally in the second half of the financial year, and as a result its performance improved slightly on the prior year. An increase in Seydler's performance more than offset a lower contribution from Mako, resulting in an improved performance for the division overall with adjusted operating profit up 5% to £25.7 million (2012: £24.5 million). The operating margin and return on opening equity, both of which exclude associate income from Mako, improved to 24% (2012: 18%) and 20% (2012: 13%) respectively, reflecting the higher combined profitability of Winterflood and Seydler.

During the 2012 financial year we agreed the phased sale of the group's investment in Mako to the management team. During the 2013 financial year, the group reduced its holding in Mako from 27.3% to 21.3%, and post the period end to 16.3%. As a result, Mako has been reclassified to an available for sale equity investment and going forward will no longer generate associate income. Overall for the year, income from Mako was £0.9 million (2012: £7.2 million) reflecting associate income in the first half prior to reclassification.

Securities continued

Maximising revenue opportunities in variable market conditions

The priority for Winterflood is to preserve the strengths of our core business model that we have developed over the last 25 years, including our comprehensive stock and market coverage, our commitment to high quality technology, and our experienced staff, all of which have driven our strong track record and leading market position. At the same time, we seek to leverage the core capabilities of our business model to maximise revenue and profit opportunities.

In the last financial year, Winterflood's adjusted operating income increased 2% to £74.6 million (2012: £73.2 million) reflecting a consistent trading performance overall with eight (2012: 13) loss days out of a total 253 (2012: 253) trading days, despite periods of volatility. Low volumes at the start of the year were offset by a market wide improvement in the second half leading to overall average bargains per day remaining broadly stable with the prior year at 46,610 (2012: 46,829). Trading activity remained concentrated in large cap stocks as investors continue to focus on yield with limited risk appetite for less liquid, AIM and small cap stocks. As a result, income per bargain also remained broadly in line with the prior year, at £6.33 (2012: £6.18).

Seydler has continued to experience low equity volumes for most of the year. However, through its market leading position and growing designated sponsoring client base, it has capitalised on the increased demand for equity and debt capital market issuances amongst smaller companies in Germany, and as a result, overall adjusted operating income increased 47% to £30.8 million (2012: £21.0 million).

Maintaining trading capacity and leading market position

Winterflood has maintained its leading market position in market-making to retail brokers in the UK. Winterflood has a low fixed cost structure, which allows it to manage costs and maximise profitability while maintaining its trading capacity to benefit from any increase in market activity. During the year, adjusted operating expenses remained broadly unchanged at £57.7 million (2012: £57.2 million) reflecting a marginal increase in revenues. Consequently, adjusted operating profit increased slightly to £16.9 million (2012: £16.0 million).

Seydler also remains focused on efficient cost management, and notwithstanding a significant increase in its revenues, adjusted operating expenses increased £3.2 million to £22.9 million (2012: £19.7 million) reflecting growth in performance related variable costs. Overall, its adjusted operating profit increased to £7.9 million (2012: £1.3 million).

Overall, for the division this corresponded to an improved expense/income ratio of 76% (2012: 82%) and a compensation ratio of 45% (2012: 46%).

Remaining well positioned for any sustained recovery

Winterflood's broad market coverage, capacity and expertise allow it to respond to changes in retail investor demand and maintain its leading market position in all market conditions. It continuously seeks to expand coverage and access additional sources of order flow and revenue. For example, during the year, Winterflood became a member of the London Stock Exchange's Order book for Retail Bonds providing retail investors with greater access to, and deeper liquidity in, fixed income markets. It also became a market-maker on the pan-European regulated exchange Equiduct to capture further opportunities in Europe.

The recent years of significant macro-economic weakness and investor uncertainty have rigorously tested our business model. Having delivered solid and consistent profitability during this period, with the core strengths of our model and our capacity intact, we remain confident that we are well positioned for any sustained improvement in trading conditions.

BUSINESS REVIEW

Asset Management

Following significant investment and restructuring, the Asset Management division returned to profitability in the year. We have developed strong client propositions, a range of distribution channels and a scalable business model. The division is now well positioned for further growth having performed well against its strategic priorities in the year:

- Driving organic private client inflows
- Maximising revenue by leveraging our investment propositions
- Driving scale and operating leverage

Overview of financial performance

Key Financials

	2013 £ million	2012 £ million	Change %
Adjusted operating income	**78.1**	69.6	12
Income on AuM	**76.3**	68.5	11
Advice and other services[1]	**35.2**	30.6	15
Investment management	**41.1**	37.9	8
Other income[2]	**1.8**	1.1	64
Adjusted operating expenses	**(74.1)**	(73.9)	-
Adjusted operating profit/(loss)	**4.0**	(4.3)	

Key Performance Indicators

	2013	2012
Assets under Management (£ billion)[3]	**9.1**	8.3
Revenue margin (bps)[4]	**88**	77
Operating margin	**5%**	(6)%
Return on opening equity[5]	**10%**	(2)%

[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.
[3] Growth in AuM reflects market movements of £1.0 billion offset by net outflows of £0.2 billion.
[4] Income from advice and other services and investment management over average AuM.
[5] Adjusted operating profit after tax and non-controlling interests on opening equity.

The Asset Management division returned to profitability during the financial year.

Adjusted operating income increased 12% to £78.1 million (2012: £69.6 million). Following a period of significant investment, we have stabilised the cost base, with adjusted operating expenses flat at £74.1 million (2012: £73.9 million) despite the higher income in the year.

Income on Assets under Management ("AuM") was up 11% to £76.3 million (2012: £68.5 million), reflecting 9% growth in AuM to £9.1 billion (31 July 2012: £8.3 billion) and an improved revenue margin. Other income, which includes the one-off gain on the sale of the division's residual investment in a private equity fund reported in the first half, was £1.8 million (2012: £1.1 million).

Overall, the division delivered an adjusted operating profit of £4.0 million, up from an adjusted operating loss of £4.3 million in 2012. As a result, the operating margin improved to 5% (2012: (6)%) and the return on opening equity increased to 10% (2012: (2)%).

Asset Management continued

Driving organic private client inflows

Against a backdrop of continued economic uncertainty and regulatory change, the division performed well in the year, generating strong inflows which reflect the breadth of our distribution capabilities and the quality of our wealth management propositions.

Movement in Assets under Management

	£ million
At 1 August 2012	8,320
Inflows	1,201
Outflows	(1,413)
Net outflows	(212)
Market movement	972
At 31 July 2013	**9,080**
Change	9%

Overall, AuM increased 9% to £9.1 billion at 31 July 2013 (31 July 2012: £8.3 billion), driven by positive market movements of £972 million, reflecting a strong market performance in the year.

Gross inflows were £1.2 billion, over 20% greater than the prior year. This reflects strong inflows across all investment propositions and from all core distribution areas, including our own financial advisers and bespoke portfolio managers as well as third party IFAs.

However, these were more than offset by total outflows of £1.4 billion in the year, reflecting both client drawdowns in the normal course of business as well as specific outflows, totalling around £470 million, which included three lower margin mandates and the maturity of our legacy structured funds. As a result, overall net flows were negative at £212 million.

Maximising revenue by leveraging our investment propositions

We offer a range of wealth management propositions to UK private clients covering financial planning advice and institutional quality investment management. The positive reaction to our propositions from new and existing clients and advisers is reflected in the strong gross inflows, revenue growth and margin expansion in the year.

Income on AuM increased by 11% to £76.3 million (2012: £68.5 million), reflecting an increase in the overall revenue margin to 88 basis points (2012: 77 basis points). This is largely attributable to the greater proportion of higher margin private client assets compared to the prior year.

Assets under Management by type

	2013 £ million	2012 £ million	Change %
Total AuM	**9,080**	8,320	9
Advised AuM[1]	**5,067**	4,639	9
Managed AuM[2]	**6,193**	5,332	16
Both advised and managed AuM	***2,180***	*1,651*	*32*

[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.

Asset Management continued

Total advised AuM grew 9% to £5.1 billion (31 July 2012: £4.6 billion) largely due to positive market movements. Income from advice and other services increased 15% to £35.2 million (2012: £30.6 million) reflecting the full benefit of the prior year acquisition as well as stronger initial fee income. This corresponds to an improved revenue margin of 73 basis points (2012: 68 basis points).

Total managed AuM grew 16% to £6.2 billion (31 July 2012: £5.3 billion), also due to positive market movements. Although overall net flows were negative, inflows were stronger as we continue to benefit from the breadth of our distribution capabilities throughout the UK, supported by our strong investment performance track record. Investment management income increased 8% to £41.1 million (2012: £37.9 million), with the revenue margin improving to 71 basis points (2012: 62 basis points), benefiting from a higher margin asset base following outflows of lower margin assets over the last two financial years.

We also increased assets both managed and advised. These assets grew 32% to £2.2 billion (2012: £1.7 billion), and now represent 43% (2012: 36%) of total advised assets. This increase reflects strong inflows into our integrated advice and investment management propositions from both new and existing clients.

Our multi-asset Close Discretionary Funds offer a range of investment styles and risk levels. All five direct portfolio funds marked their three year anniversary in September 2013 and have outperformed their respective IMA sector benchmarks since inception, benefiting from their defensive positioning in weaker markets and their multi-asset approach. Performance during the year was more mixed as our income and conservative funds underperformed against a rising market due to our cautious approach. The majority of our bespoke portfolios have consistently outperformed their ARC peer groups over a five year period.

Driving scale and operating leverage

The division has undergone significant transformation over a three year period and, at the end of the 2013 financial year, is operating as a single, integrated business. We have integrated our acquired businesses onto our core IT infrastructure and systems and we now have a scalable model which offers increased efficiency and client service as the business grows.

With the major investment spend completed, we have created a more stable and scalable cost base, with operating expenses unchanged at £74.1 million (2012: £73.9 million) in the year, despite the growth in assets and revenue. This equates to an improvement in the expense/income ratio to 95% (2012: 106%).

Looking ahead, we expect the revenue margin to continue to increase as we attract inflows from high margin private clients and as we increase the proportion of clients receiving both advice and investment management services. We expect the operating margin to continue to increase from improved front and back office productivity and increased operating leverage. As a result, we are on track to reach our medium-term targets set out in 2012: to achieve a revenue margin of around 100 basis points and an operating margin of 15% by the 2015 financial year.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 July 2013

	Note	**2013 £ million**	2012 £ million
Interest income		**450.2**	412.2
Interest expense		**(150.7)**	(141.3)
Net interest income		**299.5**	270.9
Fee and commission income		**189.0**	167.0
Fee and commission expense		**(26.4)**	(21.1)
Gains less losses arising from dealing in securities		**80.3**	78.8
Share of profit of Mako		**0.9**	7.2
Other income		**39.6**	28.9
Non-interest income		**283.4**	260.8
Operating income		**582.9**	531.7
Administrative expenses		**(365.8)**	(339.9)
Impairment losses on loans and advances	7	**(50.6)**	(57.6)
Total operating expenses before exceptional income and amortisation of intangible assets on acquisition		**(416.4)**	(397.5)
Operating profit before exceptional income and amortisation of intangible assets on acquisition		**166.5**	134.2
Exceptional income	3	**1.6**	5.6
Amortisation of intangible assets on acquisition		**(5.0)**	(4.9)
Operating profit before tax		**163.1**	134.9
Tax	4	**(42.6)**	(33.5)
Profit after tax		**120.5**	101.4
Profit attributable to non-controlling interests		**1.1**	1.7
Profit attributable to the shareholders		**119.4**	99.7
Basic earnings per share	5	**81.6p**	68.6p
Diluted earnings per share	5	**80.2p**	67.5p
Interim dividend per share paid	6	**15.0p**	14.0p
Final dividend per share	6	**29.5p**	27.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2013

	2013 **£ million**	2012 £ million
Profit after tax for the year	**120.5**	101.4
Other comprehensive income/(expense) that may be reclassified to income statement		
Currency translation gains/(losses)	**4.0**	(2.2)
Gains/(losses) on cash flow hedging	**4.8**	(2.9)
(Losses)/gains on financial instruments classified as available for sale:		
Gilts	**(0.1)**	1.5
Floating rate notes	**1.1**	10.5
Equity shares	**1.9**	0.1
Transfer to income statement of realised currency translation gains	**(7.4)**	(7.3)
Other losses	**-**	(3.8)
Tax relating to items that may be reclassified	**(1.5)**	(2.5)
Other comprehensive income/(expense) for the year, net of tax	**2.8**	(6.6)
Total comprehensive income for the year	**123.3**	94.8
Attributable to		
Non-controlling interests	**1.1**	1.7
Shareholders	**122.2**	93.1
	123.3	94.8

CONSOLIDATED BALANCE SHEET
at 31 July 2013

	Note	**2013 £ million**	2012 £ million
Assets			
Cash and balances at central banks		**935.4**	706.8
Settlement balances		**471.0**	442.0
Loans and advances to banks		**89.8**	110.0
Loans and advances to customers	7	**4,645.6**	4,125.9
Debt securities	8	**124.9**	406.4
Equity shares	9	**71.4**	52.9
Loans to money brokers against stock advanced		**52.1**	68.7
Derivative financial instruments		**56.8**	50.6
Investment in Mako	16	**-**	21.8
Intangible assets	10	**141.6**	139.7
Property, plant and equipment		**89.7**	75.0
Deferred tax assets		**24.7**	28.0
Prepayments, accrued income and other assets		**132.0**	128.0
Total assets		**6,835.0**	6,355.8
Liabilities			
Settlement balances and short positions	13	**475.3**	465.5
Deposits by banks	14	**66.6**	88.0
Deposits by customers	14	**4,015.4**	3,448.1
Loans and overdrafts from banks	14	**37.6**	205.0
Debt securities in issue	14	**1,055.3**	1,040.0
Loans from money brokers against stock advanced		**16.4**	36.2
Derivative financial instruments		**48.4**	44.2
Accruals, deferred income and other liabilities		**202.2**	181.7
Subordinated loan capital		**77.3**	77.3
Total liabilities		**5,994.5**	5,586.0
Equity			
Called up share capital		**37.7**	37.6
Share premium account		**283.7**	283.4
Retained earnings		**515.9**	454.3
Other reserves		**(0.5)**	(9.2)
Total shareholders' equity		**836.8**	766.1
Non-controlling interests		**3.7**	3.7
Total equity		**840.5**	769.8
Total liabilities and equity		**6,835.0**	6,355.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2013

	Called up share capital £ million	Share premium account £ million	Retained earnings £ million	Other reserves: Available for sale movements reserve £ million	Other reserves: Share-based payments reserve £ million	Other reserves: Exchange movements reserve £ million	Other reserves: Cash flow hedging reserve £ million	Total attributable to equity holders £ million	Non-controlling interests £ million	Total equity £ million
At 1 August 2011	37.6	283.0	416.2	(2.5)	(23.0)	18.1	(3.0)	726.4	1.9	728.3
Profit for the year	-	-	99.7	-	-	-	-	99.7	1.7	101.4
Other comprehensive (expense)/income	-	-	(3.8)	9.0	-	(9.5)	(2.3)	(6.6)	-	(6.6)
Total comprehensive income/(expense) for the year	-	-	95.9	9.0	-	(9.5)	(2.3)	93.1	1.7	94.8
Exercise of options	-	0.1	-	-	-	-	-	0.1	-	0.1
Dividends paid	-	-	(58.3)	-	-	-	-	(58.3)	(0.1)	(58.4)
Shares purchased	-	-	-	-	(10.3)	-	-	(10.3)	-	(10.3)
Shares issued	-	0.3	-	-	-	-	-	0.3	-	0.3
Shares released	-	-	-	-	8.3	-	-	8.3	-	8.3
Other movements	-	-	0.5	-	6.0	-	-	6.5	0.2	6.7
At 31 July 2012	37.6	283.4	454.3	6.5	(19.0)	8.6	(5.3)	766.1	3.7	769.8
Profit for the year	-	-	119.4	-	-	-	-	119.4	1.1	120.5
Other comprehensive income/(expense)	-	-	-	2.6	-	(3.4)	3.6	2.8	-	2.8
Total comprehensive income/(expense) for the year	-	-	119.4	2.6	-	(3.4)	3.6	122.2	1.1	123.3
Exercise of options	-	0.2	-	-	-	-	-	0.2	-	0.2
Dividends paid	-	-	(61.5)	-	-	-	-	(61.5)	(0.1)	(61.6)
Shares purchased	-	-	-	-	-	-	-	-	-	-
Shares issued	0.1	0.1	-	-	-	-	-	0.2	-	0.2
Shares released	-	-	-	-	5.7	-	-	5.7	-	5.7
Other movements	-	-	3.7	-	0.2	-	-	3.9	(1.0)	2.9
At 31 July 2013	**37.7**	**283.7**	**515.9**	**9.1**	**(13.1)**	**5.2**	**(1.7)**	**836.8**	**3.7**	**840.5**

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2013

	Note	**2013 £ million**	2012 £ million
Net cash inflow from operating activities	17(a)	**206.9**	63.4
Net cash outflow from investing activities			
Dividends received from Mako		**-**	8.7
Purchase of:			
Assets let under operating leases		**(40.6)**	(29.4)
Property, plant and equipment – other		**(4.1)**	(8.8)
Intangible assets – software		**(13.1)**	(13.9)
Equity shares held for investment		**(0.3)**	(0.3)
Subsidiaries and non-controlling interest	17(b)	**(5.0)**	(5.1)
Sale of:			
Property, plant and equipment		**13.6**	4.6
Equity shares held for investment		**6.7**	0.2
Subsidiaries and Mako	17(c)	**4.8**	12.6
		(38.0)	(31.4)
Net cash inflow before financing		**168.9**	32.0
Financing activities			
Issue of ordinary share capital, net of transaction costs	17(d)	**0.4**	0.4
Purchase of own shares for employee share award schemes		**-**	(10.3)
Equity dividends paid		**(61.5)**	(58.3)
Dividends paid to non-controlling interests		**(0.1)**	(0.1)
Interest paid on subordinated loan capital and debt financing		**(18.6)**	(18.6)
Net increase/(decrease) in cash		**89.1**	(54.9)
Cash and cash equivalents at beginning of year		**928.3**	983.2
Cash and cash equivalents at end of year	17(e)	**1,017.4**	928.3

THE NOTES

1. Basis of preparation and accounting policies

The financial information contained in this announcement does not constitute the statutory accounts for the years ended 31 July 2013 or 31 July 2012 within the meaning of section 435 of the Companies Act 2006, but is derived from those accounts. The accounting policies used are consistent with those set out in the Annual Report 2012. The financial statements are prepared on a going concern basis.

Whilst the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS by 18 October 2013.

The financial information for the year ended 31 July 2013 has been derived from the audited financial statements of Close Brothers Group plc for that year. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the company's Annual General Meeting. The auditor, Deloitte LLP, has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

2. Segmental analysis

The Executive Committee, which is considered to be the group's chief operating decision maker, manages the group by class of business as determined by the products and services offered and presents the segmental analysis on that basis. The group's activities are organised in three primary operating divisions: Banking, Securities and Asset Management. The Group segment includes the group's central functions which comprise Group Executive, Finance, Investor Relations, Legal, Human Resources, Audit, Compliance, Corporate Development, Company Secretariat and Risk. Group administrative expenses include staff costs, legal and professional fees and property costs attributable to the central functions which support and assist the development of the divisions. Income within Group is typically immaterial and will include interest on cash balances at Group. In the segmental reporting information which follows, Group consists of the central functions described above as well as various non-trading head office companies and consolidation adjustments, in order that the information presented reconciles to the consolidated income statement and balance sheet.

Divisions charge market prices for services rendered to other parts of the group. Funding charges between 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.

2. Segmental analysis continued

Summary Income Statement for the year ended 31 July 2013

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
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	**(168.8)**	**(78.7)**	**(72.6)**	**(22.6)**	**(342.7)**
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	**(238.4)**	**(80.6)**	**(74.1)**	**(23.3)**	**(416.4)**
Adjusted operating profit/(loss)[1]	**157.8**	**25.7**	**4.0**	**(21.0)**	**166.5**
Exceptional income	**-**	**1.6**	**-**	**-**	**1.6**
Amortisation of intangible assets on acquisition	**(0.6)**	**-**	**(4.4)**	**-**	**(5.0)**
Operating profit/(loss) before tax	**157.2**	**27.3**	**(0.4)**	**(21.0)**	**163.1**
Tax	**(40.2)**	**(7.1)**	**0.2**	**4.5**	**(42.6)**
Non-controlling interests	**(0.9)**	**-**	**-**	**(0.2)**	**(1.1)**
Profit/(loss) after tax and non-controlling interests	**116.1**	**20.2**	**(0.2)**	**(16.7)**	**119.4**
External operating income/(expense)	**408.4**	**106.3**	**79.6**	**(11.4)**	**582.9**
Inter segment operating (expense)/income	**(12.2)**	**-**	**(1.5)**	**13.7**	**-**
Segment operating income	**396.2**	**106.3**	**78.1**	**2.3**	**582.9**

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

The following table provides further detail on operating income:

	2013 £ million	2012 £ million
Banking		
Retail	**152.6**	144.9
Commercial	**173.4**	161.1
Property	**60.6**	48.0
Treasury and other non-lending income	**9.6**	7.5
Securities		
Market-making and related activities	**106.3**	101.4
Asset Management		
Advice and other services	**35.2**	30.6
Investment management	**41.1**	37.9
Other income	**1.8**	1.1
Group	**2.3**	(0.8)
Operating income	**582.9**	531.7

2. Segmental analysis continued

Summary Balance Sheet at 31 July 2013

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
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
Investment in Mako	-	-	-	-	-
Intangible assets	51.2	28.7	61.6	0.1	141.6
Other assets	251.8	30.6	24.9	23.6	330.9
Total assets	6,029.2	679.6	101.8	24.4	6,835.0
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	148.4	37.4	45.5	19.3	250.6
Intercompany balances	294.9	40.5	24.6	(360.0)	-
Total liabilities	5,478.7	581.6	70.1	(135.9)	5,994.5
Equity	550.5	98.0	31.7	160.3	840.5
Total liabilities and equity	6,029.2	679.6	101.8	24.4	6,835.0

Other segmental information for the year ended 31 July 2013

	Banking	Securities	Asset Management	Group	Total
Property, plant, equipment and intangible asset expenditure	55.9	1.3	0.5	0.1	57.8
Employees (average number)	1,654	304	578	65	2,601

2. Segmental analysis continued

Summary Income Statement for the year ended 31 July 2012

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Net interest income/(expense)	271.5	(0.7)	(0.4)	0.5	270.9
Non-interest income/(expense)	90.0	102.1	70.0	(1.3)	260.8
Operating income/(expense)	361.5	101.4	69.6	(0.8)	531.7
Administrative expenses	(153.4)	(74.7)	(73.0)	(19.4)	(320.5)
Depreciation and amortisation	(15.5)	(2.2)	(0.9)	(0.8)	(19.4)
Impairment losses on loans and advances	(57.6)	-	-	-	(57.6)
Total operating expenses	(226.5)	(76.9)	(73.9)	(20.2)	(397.5)
Adjusted operating profit/(loss)[1]	135.0	24.5	(4.3)	(21.0)	134.2
Exceptional income	-	5.6	-	-	5.6
Amortisation of intangible assets on acquisition	(0.6)	-	(4.3)	-	(4.9)
Operating profit/(loss) before tax	134.4	30.1	(8.6)	(21.0)	134.9
Tax	(36.1)	(4.9)	4.4	3.1	(33.5)
Non-controlling interests	(1.5)	-	-	(0.2)	(1.7)
Profit/(loss) after tax and non-controlling interests	96.8	25.2	(4.2)	(18.1)	99.7
External operating income/(expense)	374.1	101.4	71.4	(15.2)	531.7
Inter segment operating (expense)/income	(12.6)	-	(1.8)	14.4	-
Segment operating income/(expense)	361.5	101.4	69.6	(0.8)	531.7

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

2. Segmental analysis continued

Summary Balance Sheet at 31 July 2012

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Assets					
Cash and loans and advances to banks	789.7	14.8	11.9	0.4	816.8
Settlement balances, long trading positions and loans to money brokers	-	598.5	-	-	598.5
Loans and advances to customers	4,125.9	-	-	-	4,125.9
Non-trading debt securities	353.0	-	-	-	353.0
Investment in Mako	-	21.8	-	-	21.8
Intangible assets	44.2	28.6	66.8	0.1	139.7
Other assets	233.4	16.8	30.0	19.9	300.1
Total assets	5,546.2	680.5	108.7	20.4	6,355.8
Liabilities					
Settlement balances, short trading positions and loans from money brokers	-	501.7	-	-	501.7
Deposits by banks	88.0	-	-	-	88.0
Deposits by customers	3,443.1	5.0	-	-	3,448.1
Borrowings	1,115.7	2.1	-	204.5	1,322.3
Other liabilities	136.8	33.7	42.2	13.2	225.9
Intercompany balances	267.3	49.2	33.9	(350.4)	-
Total liabilities	5,050.9	591.7	76.1	(132.7)	5,586.0
Equity	495.3	88.8	32.6	153.1	769.8
Total liabilities and equity	5,546.2	680.5	108.7	20.4	6,355.8
Other segmental information for the year ended 31 July 2012					
Property, plant, equipment and intangible asset expenditure	46.8	0.8	4.5	-	52.1
Employees (average number)	1,565	288	558	67	2,478

3. Exceptional income

On 16 September 2011, the group announced the phased sale of its then 49.9% investment in Mako to the Mako management team. On 30 April 2013, a third phase of the disposal completed reducing our shareholding from 27.3% to 21.3%, with a further disposal in August 2013 reducing our shareholding to 16.3%. The £1.6 million exceptional income in the year principally reflects realised foreign exchange gains offset by a revaluation on reclassification of Mako from an associate to an available for sale equity investment. The £5.6 million exceptional income in the year to 31 July 2012 principally reflects realised foreign exchange gains on the second phase of disposal. See note 16 for further details.

THE NOTES

4. Tax expense

	2013 £ million	2012 £ million
Tax charged/(credited) to the income statement		
Current tax:		
UK corporation tax	**42.2**	34.9
Foreign tax	**3.3**	0.5
Adjustments in respect of previous years	**(7.8)**	(0.5)
	37.7	34.9
Deferred tax:		
Deferred tax credit for the current year	**(2.0)**	(1.5)
Adjustments in respect of previous years	**6.9**	0.1
	42.6	33.5
Tax on items not charged/(credited) to the income statement		
Current tax relating to:		
Financial instruments classified as available for sale	**0.2**	3.3
Share-based transactions	**(0.5)**	(0.3)
Deferred tax relating to:		
Cash flow hedging	**1.2**	(0.6)
Financial instruments classified as available for sale	**0.1**	(0.2)
Share-based transactions	**(2.9)**	0.3
	(1.9)	2.5
Reconciliation to tax expense		
UK corporation tax for the year at 23.7% (2012: 25.3%) on operating profit	**38.6**	34.2
Impairment of associate and investment assets	**-**	0.3
Gain on sale of subsidiary and associate	**(0.4)**	(1.1)
Effect of different tax rates in other jurisdictions	**0.5**	(0.8)
Share of associate consolidated profit after tax	**(0.2)**	(1.8)
Disallowable items and other permanent differences	**1.3**	0.9
Deferred tax impact of reduced UK corporation tax rate	**3.7**	2.2
Prior year tax provision	**(0.9)**	(0.4)
	42.6	33.5

The effective tax rate for the year is 26.1% (2012: 24.8%) which is above the UK corporation tax rate of 23.7% (2012: 25.3%) principally due to a write-down in the group's deferred tax assets due to a reduction in the standard UK corporation tax rate applicable for future periods.

THE NOTES

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.

	2013	2012
Earnings per share		
Basic	**81.6p**	68.6p
Diluted	**80.2p**	67.5p
Adjusted basic[1]	**83.1p**	67.3p
Adjusted diluted[1]	**81.7p**	66.3p

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

	2013 £ million	2012 £ million
Profit attributable to shareholders	**119.4**	99.7
Adjustments:		
Exceptional income	**(1.6)**	(5.6)
Amortisation of intangible assets on acquisition	**5.0**	4.9
Tax effect of adjustments	**(1.1)**	(1.1)
Adjusted profit attributable to shareholders	**121.7**	97.9

	2013 million	2012 million
Average number of shares		
Basic weighted	**146.4**	145.4
Effect of dilutive share options and awards	**2.5**	2.2
Diluted weighted	**148.9**	147.6

6. Dividends

	2013 £ million	2012 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2012: 27.5p (2011: 26.5p)	**39.7**	38.1
Interim dividend for current financial year paid in April 2013: 15.0p (2012: 14.0p)	**21.8**	20.2
	61.5	58.3

A final dividend relating to the year ended 31 July 2013 of 29.5p, amounting to an estimated £42.9 million, is proposed. This final dividend, which is due to be paid on 26 November 2013, is not reflected in these financial statements.

7. Loans and advances to customers

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Impairment provisions £ million	Total £ million
At 31 July 2013	**78.2**	**1,414.1**	**1,344.9**	**936.7**	**868.8**	**64.8**	**(61.9)**	**4,645.6**
At 31 July 2012	25.4	1,146.1	1,352.6	777.9	861.3	32.9	(70.3)	4,125.9

	2013 £ million	2012 £ million
Impairment provisions on loans and advances to customers		
At 1 August	**70.3**	93.7
Charge for the year	**50.6**	57.6
Amounts written off net of recoveries	**(59.0)**	(81.0)
At 31 July	**61.9**	70.3
Loans and advances to customers comprise		
Hire purchase agreement receivables	**2,040.5**	1,725.6
Finance lease receivables	**415.6**	362.7
Other loans and advances	**2,189.5**	2,037.6
At 31 July	**4,645.6**	4,125.9

At 31 July 2013, the fair value of the loans and advances to customers materially equates to their carrying value.

At 31 July 2013, gross impaired loans were £201.0 million (31 July 2012: £233.6 million) and equate to 4% (31 July 2012: 6%) 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	**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**

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions in debt securities	53.4	-	-	53.4
Certificates of deposit	-	-	130.3	130.3
Floating rate notes	-	122.6	-	122.6
Gilts	-	100.1	-	100.1
At 31 July 2012	53.4	222.7	130.3	406.4

8. Debt securities continued

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

	31 July 2013		31 July 2012	
	Book value £ million	**Fair value £ million**	Book value £ million	Fair value £ million
Certificates of deposit classified as loans and receivables	**10.1**	**10.1**	130.3	130.3

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

	Available for sale		
	Gilts £ million	Floating rate notes £ million	Total £ million
At 1 August 2011	228.8	296.9	525.7
Disposals	-	(12.6)	(12.6)
Redemptions at maturity	(125.0)	(163.4)	(288.4)
Currency translation differences	-	(8.9)	(8.9)
Changes in fair value	(3.7)	10.6	6.9
At 31 July 2012	100.1	122.6	222.7
Disposals	-	(66.7)	(66.7)
Redemptions at maturity	(50.0)	(25.5)	(75.5)
Currency translation differences	-	7.8	7.8
Changes in fair value	(3.4)	1.2	(2.2)
At 31 July 2013	**46.7**	**39.4**	**86.1**

At 31 July 2013, £39.4 million (31 July 2012: £48.7 million) of FRNs were due to mature within one year and £21.9 million (31 July 2012: £19.2 million) have been issued by corporates with the remainder issued by banks and building societies.

9. Equity shares

	31 July 2013 £ million	31 July 2012 £ million
Equity shares classified as held for trading	**43.7**	34.4
Other equity shares	**27.7**	18.5
	71.4	52.9

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

	Available for sale £ million	Fair value through profit or loss £ million	Total £ million
At 1 August 2011	14.4	4.8	19.2
Additions	-	0.3	0.3
Disposals	-	(0.2)	(0.2)
Currency translation differences	(0.5)	-	(0.5)
Changes in fair value of:			
Equity shares classified as available for sale	(0.6)	-	(0.6)
Unlisted equity shares held at fair value	-	0.3	0.3
At 31 July 2012	13.3	5.2	18.5
Additions	0.2	0.1	0.3
Disposals	(0.3)	(7.3)	(7.6)
Currency translation differences	1.4	-	1.4
Changes in fair value of:			
Equity shares classified as available for sale	0.2	-	0.2
Unlisted equity shares held at fair value	-	2.6	2.6
Reclassification from investment in Mako[1]	12.3	-	12.3
At 31 July 2013	**27.1**	**0.6**	**27.7**

1 See note 16 for further details.

10. Intangible assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Total £ million
Cost				
At 1 August 2011	161.8	25.3	39.2	226.3
Additions	-	13.9	-	13.9
Acquisitions	2.3	-	3.3	5.6
Disposals	(7.6)	(0.5)	(0.1)	(8.2)
Foreign exchange	(0.5)	-	-	(0.5)
At 31 July 2012	156.0	38.7	42.4	237.1
Additions	-	13.1	-	13.1
Acquisitions	-	-	-	-
Disposals	-	(0.2)	-	(0.2)
Foreign exchange	0.5	-	-	0.5
At 31 July 2013	**156.5**	**51.6**	**42.4**	**250.5**
Amortisation and impairment				
At 1 August 2011	72.8	17.4	3.0	93.2
Amortisation charge for the year	-	4.3	4.9	9.2
Disposals	(4.8)	(0.2)	-	(5.0)
At 31 July 2012	68.0	21.5	7.9	97.4
Amortisation charge for the year	-	6.5	5.0	11.5
Disposals	-	-	-	-
At 31 July 2013	**68.0**	**28.0**	**12.9**	**108.9**
Net book value at 31 July 2013	**88.5**	**23.6**	**29.5**	**141.6**
Net book value at 31 July 2012	88.0	17.2	34.5	139.7
Net book value at 1 August 2011	89.0	7.9	36.2	133.1

Intangible assets on acquisition relates to broker and customer relationships. The increase of £3.3 million in 2012 primarily relates to the acquisition of Scott-Moncrieff Wealth Management Limited.

In the 2013 financial year, £5.0 million (2012: £4.9 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £6.5 million (2012: £4.3 million) of the amortisation charge is included in administrative expenses shown in the consolidated income statement.

11. Property, plant and equipment

	Leasehold property £ million	Fixtures, fittings and equipment £ million	Assets held under operating leases £ million	Motor vehicles £ million	Total £ million
Cost					
At 1 August 2011	6.6	48.4	60.4	1.5	116.9
Additions	2.5	5.8	29.4	0.5	38.2
Disposals	(0.6)	(11.7)	(12.8)	(1.0)	(26.1)
At 31 July 2012	8.5	42.5	77.0	1.0	129.0
Additions	0.8	3.0	40.6	0.3	44.7
Disposals	-	(4.6)	(18.5)	(0.1)	(23.2)
At 31 July 2013	**9.3**	**40.9**	**99.1**	**1.2**	**150.5**
Depreciation					
At 1 August 2011	2.4	35.1	16.4	0.8	54.7
Charge for the year	1.0	4.8	9.0	0.3	15.1
Disposals	-	(8.1)	(7.2)	(0.5)	(15.8)
At 31 July 2012	3.4	31.8	18.2	0.6	54.0
Charge for the year	1.0	5.3	10.2	0.1	16.6
Disposals	-	(4.5)	(5.3)	-	(9.8)
At 31 July 2013	**4.4**	**32.6**	**23.1**	**0.7**	**60.8**
Net book value at 31 July 2013	**4.9**	**8.3**	**76.0**	**0.5**	**89.7**
Net book value at 31 July 2012	5.1	10.7	58.8	0.4	75.0
Net book value at 1 August 2011	4.2	13.3	44.0	0.7	62.2

Assets held under operating leases relate to our rentals businesses within the Banking division. In addition to the depreciation charged in the year of £10.2 million (2012: £9.0 million), these assets generated other income of £27.5 million (2012: £23.5 million) and interest and fee expense of £8.6 million (2012: £6.5 million) which are shown in the consolidated income statement.

12. Deferred tax assets

	31 July 2013 £ million	31 July 2012 £ million
Capital allowances	**21.2**	26.0
Employee benefits	**9.6**	7.1
Unrealised capital gains	**(1.8)**	(1.7)
Other	**(4.3)**	(3.4)
	24.7	28.0

Movement in the year:

	£ million
At 1 August 2011	26.7
Credit/(expense) to the income statement	1.4
Acquisition of intangible assets	(0.6)
Equity movements	0.5
At 31 July 2012	28.0
(Expense)/credit to the income statement	(4.9)
Acquisition of intangible assets	-
Equity movements	1.6
At 31 July 2013	**24.7**

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

13. Settlement balances and short positions

	31 July 2013 £ million	31 July 2012 £ million
Settlement balances	**438.4**	389.6
Short positions held for trading:		
Debt securities	**22.4**	56.7
Equity shares	**14.5**	19.2
	36.9	75.9
	475.3	465.5

14. Financial liabilities

	On demand £ million	**Within three months £ million**	**Between three months and one year £ million**	**Between one and two years £ million**	**Between two and five years £ million**	**After more than five years £ million**	**Total £ million**
Deposits by banks	**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**

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
Deposits by banks	47.6	31.2	9.2	-	-	-	88.0
Deposits by customers	190.7	1,071.5	1,006.8	956.1	222.2	0.8	3,448.1
Loans and overdrafts from banks	13.0	0.1	175.5	16.4	-	-	205.0
Debt securities in issue	-	6.6	350.0	485.0	198.4	-	1,040.0
At 31 July 2012	251.3	1,109.4	1,541.5	1,457.5	420.6	0.8	4,781.1

Of the debt securities in issue, £198.7 million mature on 10 February 2017 and £850.0 million relate to the insurance premium and motor loan receivables securitisations.

The group has a repurchase agreement whereby FRNs have been lent in exchange for cash which is included within loans and overdrafts from banks. Residual maturities of the repurchase agreement are as follows:

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
At 31 July 2013	**-**	**18.3**	**-**	**-**	**-**	**-**	**18.3**
At 31 July 2012	-	-	62.4	16.4	-	-	78.8

15. Capital management

The group's capital ratios remained strong with a core tier 1 capital ratio of 13.3% (31 July 2012: 12.8%) and a total capital ratio of 14.7% (31 July 2012: 14.5%). The capital ratios increased reflecting an increase in regulatory capital with a more modest increase in risk weighted assets. Core tier 1 capital, tier 1 capital and total regulatory capital increased during the year due to an increase in retained earnings and other reserves. Risk weighted assets increased largely as a result of growth in the loan book which was partly offset by a reduction in notional risk weighted assets for operational risk reflecting lower trading activity in Securities in recent years.

The composition of capital remained stable with 90.6% (31 July 2012: 88.3%) of the total capital consisting of core tier 1 capital.

	31 July 2013 £ million	31 July 2012 £ million
Core tier 1 capital		
Called up share capital	**37.7**	37.6
Share premium account	**283.7**	283.4
Retained earnings and other reserves	**541.9**	483.5
Non-controlling interests	**3.7**	3.7
Deductions from core tier 1 capital		
Intangible assets	**(141.6)**	(139.7)
Goodwill in associate	**-**	(8.1)
Investment in own shares	**(33.9)**	(39.6)
Core tier 1 capital	**691.5**	620.8
Deductions from tier 1 capital		
50% of material holdings	**(6.2)**	-
Tier 1 capital	**685.3**	620.8
Tier 2 capital		
Subordinated debt	**75.0**	75.0
Unrealised gains on available for sale equity shares	**9.1**	7.3
Deductions from tier 2 capital		
50% of material holdings	**(6.1)**	-
Tier 2 capital	**78.0**	82.3
Deductions from total of tier 1 and tier 2 capital		
Other regulatory adjustments	**(0.4)**	(0.2)
Total regulatory capital	**762.9**	702.9
Risk weighted assets (notional) - unaudited		
Credit and counterparty risk	**4,370.5**	3,973.4
Operational risk[1]	**679.1**	745.3
Market risk[1]	**138.9**	141.0
	5,188.5	4,859.7
Core tier 1 capital ratio	**13.3%**	12.8%
Total capital ratio	**14.7%**	14.5%

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

15. Capital management continued

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

	31 July 2013 £ million	31 July 2012 £ million
Equity	**840.5**	769.8
Regulatory deductions from equity:		
Intangible assets	**(141.6)**	(139.7)
Goodwill in associate	**-**	(8.1)
Other reserves not recognised for core tier 1 capital:		
Cash flow hedging reserve	**1.7**	5.3
Available for sale movements reserve	**(9.1)**	(6.5)
Core tier 1 capital	**691.5**	620.8

16. Investment in Mako

	31 July 2013 £ million	31 July 2012 £ million
At 1 August	**21.8**	33.4
Share of profit before tax	**1.2**	9.8
Share of tax	**(0.3)**	(2.6)
Share of profit after tax	**0.9**	7.2
Dividends paid	**-**	(8.7)
Disposals	**(1.7)**	(11.3)
Foreign exchange revaluation	**(0.4)**	1.2
Revaluation	**(8.3)**	-
Reclassification to equity shares	**(12.3)**	-
	(21.8)	(11.6)
At 31 July	**-**	21.8

On 16 September 2011, the group announced the phased sale of its then 49.9% investment in Mako. 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 associate from 1 February 2013. On 30 April 2013, the third phase of disposal completed reducing our shareholding from 27.3% to 21.3% resulting in the loss of significant influence as the group was deemed to no longer actively participate in Mako's policy decisions. This disposal resulted in the reclassification of Mako to an available for sale equity investment. On reclassification the group recorded exceptional income of £1.6 million, reflecting £7.4 million realised foreign exchange gains and £2.5 million dividend income offset by an £8.3 million revaluation adjustment. In August 2013 a further disposal reduced the group's shareholding to 16.3%. See notes 3 and 9 for further details.

Mako’s year end is 31 December which is different to that of the group, therefore the unaudited management accounts of Mako have formed the basis of the financial information used in determining the group’s share of the profits to 31 January 2013. At 31 July 2013 Mako owes £nil (31 July 2012: £nil) to the group. The group’s share of Mako’s revenue in the period to 31 January 2013, while an associate, amounted to £6.0 million (2012: £18.0 million). The group’s share of Mako’s assets and liabilities at 31 July 2013 amounted to £nil (31 July 2012: £31.0 million) and £nil (31 July 2012: £17.3 million) respectively following Mako’s reclassification to an available for sale equity investment.

17. Consolidated cash flow statement reconciliation

	31 July 2013 £ million	31 July 2012 £ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities		
Operating profit on ordinary activities before tax	**163.1**	134.9
Tax paid	**(36.0)**	(46.2)
Depreciation and amortisation	**28.1**	24.3
(Increase)/decrease in:		
Interest receivable and prepaid expenses	**(3.3)**	9.4
Net settlement balances and trading positions	**(3.8)**	45.5
Net money broker loans against stock advanced	**(3.2)**	(20.8)
Increase/(decrease) in interest payable and accrued expenses	**12.8**	(36.4)
Net cash inflow from trading activities	**157.7**	110.7
Decrease/(increase) in:		
Loans and advances to banks not repayable on demand	**0.9**	(8.2)
Loans and advances to customers	**(519.7)**	(690.6)
Floating rate notes classified as available for sale	**92.2**	176.0
Debt securities held for liquidity	**50.0**	614.0
Other assets less other liabilities	**47.3**	(13.7)
(Decrease)/increase in:		
Deposits by banks	**(21.4)**	(104.8)
Deposits by customers	**567.3**	277.6
Loans and overdrafts from banks	**(167.4)**	(297.6)
Net cash inflow from operating activities	**206.9**	63.4
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries and non-controlling interest		
Cash consideration in respect of current year purchases	**(5.0)**	(4.1)
Loan stock redemptions and deferred consideration paid in respect of prior year purchases	**-**	(1.0)
	(5.0)	(5.1)
(c) Analysis of net cash inflow in respect of the sale of subsidiaries and Mako		
Cash consideration received	**4.8**	12.6
(d) Analysis of changes in financing activities		
Share capital (including premium) and subordinated loan capital[1]:		
Opening balance	**396.0**	395.6
Shares issued for cash	**0.4**	0.4
Closing balance	**396.4**	396.0
(e) Analysis of cash and cash equivalents[2]		
Cash and balances at central banks	**929.1**	703.3
Loans and advances to banks repayable on demand	**78.2**	94.7
Certificates of deposit	**10.1**	130.3
	1,017.4	928.3

1 Excludes accrued interest.
2 Excludes Bank of England cash reserve account and amounts held as collateral.

Cautionary statement

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