Close Brothers

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Registered in England No. 520241

Press Release

Preliminary results for the year ended 31 July 2016

27 September 2016

Good performance in more challenging conditions

- The group delivered a good performance, with £234 million adjusted operating profit and a strong return on opening equity of 19%

- Banking adjusted operating profit increased 7% underpinned by strong demand for our specialist lending products and historically low impairments

- The loan book grew by 12%, supported by good underlying demand and an increased contribution from new initiatives, while we maintained the discipline of our business model

- Winterflood's performance improved in the second half, resulting in full year operating profit of £19 million

- Asset Management delivered £14 million adjusted operating profit and positive net flows at 6% of opening managed assets

- Continued dividend growth with a 7% increase to 57p while maintaining high dividend cover

Financial highlights (continuing operations)

	2016 £ million	2015 £ million	Change %
Adjusted operating profit	**233.6**	**224.9**	**4**
Operating profit before tax	228.5	219.9	4
Adjusted basic earnings per share	**128.4p**	**120.5p**	**7**
Basic earnings per share	125.7p	117.8p	7
Dividend per share	**57.0p**	**53.5p**	**7**
Return on opening equity	**18.9%**	**19.5%**	
Net interest margin	8.2%	8.6%[1]	
Bad debt ratio	0.6%	0.7%[1]	
Loan book at 31 July (£ billion)	6.4	5.7	12
Total client assets at 31 July (£ billion)	9.9[2]	10.8	(8)
Common equity tier 1 ratio	**13.5%**	**13.7%**	

1 Relevant figures and ratios for 2015 are re-presented for changes in treatment of operating lease assets and Treasury income, as announced on 13 September 2016. See page 15 for details.
2 During the year we disposed of our corporate advice and investment management business which included £1.3 billion of client assets.

Preben Prebensen, Chief Executive, said:

"We are pleased to report a good performance for the 2016 financial year, with further growth in our earnings and dividend against a backdrop of more challenging market conditions.

We achieved good growth in all our lending businesses, while maintaining the strong returns and prudent underwriting criteria which underpin our long track record of profitability throughout the economic cycle.

Although markets and the economy remain uncertain, our strong balance sheet and established business model give us confidence that we can continue to support our clients, invest in our business and generate returns for our shareholders."

Enquiries

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A presentation to analysts and investors will be held today at 9.30 am GMT at our offices at 10 Crown Place, London EC2A 4FT. A listen-only dial-in facility will be available on +44 203 059 8125. A recording will be available for replay for two weeks by dialling +44 121 260 4861, access code 4029285#.

Basis of presentation

To improve comparability between periods, results are presented on an adjusted basis, excluding amortisation of intangible assets on acquisition and any goodwill impairment or exceptional items. Unless otherwise indicated, all figures in this announcement relate to continuing operations.

About Close Brothers

Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading. We employ over 3,000 people, principally in the UK. Close Brothers Group plc is listed on the London Stock Exchange and is a member of the FTSE 250.

BUSINESS OVERVIEW

The group has achieved a good performance, with adjusted operating profit of £234 million and strong return on opening equity of 18.9%, as we continue to benefit from the strength of our established business model.

The economic and financial markets outlook in the UK is uncertain, but our own strategy is clear and unchanged. We continue to focus on providing a differentiated and relationship driven service in specialist markets, where we have long-standing expertise, and on maintaining our prudent and consistent underwriting, founded in a deep knowledge of the sectors and asset classes we lend in. This in turn allows us to generate consistent profitability through the cycle, allowing us to support our clients, invest in our business and generate returns for our shareholders in all market conditions.

Good Performance in More Challenging Conditions

The current benign environment, with low interest rates and low impairments, is inevitably attracting more credit into some of our markets from both larger banks and newer competitors. Despite this, the loan book grew 12%, benefitting from good underlying demand across our businesses, as well as an increasing contribution from new growth initiatives, particularly in Ireland and green energy.

Most importantly, we continue to lend at criteria which are consistent with our objective of delivering strong and consistent returns through the cycle. Although competition has impacted the net interest margin in some parts of our business, the return on net loan book remains strong at 3.6%.

These strong returns are supported by the differentiation of our offering, which focuses on providing a high level of service and building personal relationships with borrowers and intermediaries, and the quality and consistency of our underwriting across all the lending businesses. This customer focus is strongly endorsed by our borrowers and evidenced by our high levels of repeat business and strong net promoter scores.

Winterflood's performance in the year has demonstrated its ability to trade successfully in a range of market conditions. Although performance in the first half was weaker, reflecting volatile markets and low risk appetite, trading remained consistently profitable. The second half saw a marked increase in profits as Winterflood benefited from an improvement in retail trading activity, further accelerated by the EU referendum vote. Overall, Winterflood achieved a good result in these conditions, demonstrating the strength of its business model and the long-standing expertise of its traders.

Although lower market levels have affected the progression of income in Asset Management, we have continued to see good demand for our products and services, with positive net flows despite the increased market uncertainty leading up to and post the EU referendum. We remain confident in our business model and are focused on driving further growth by expanding our adviser force and distribution capacity, and where appropriate through the selective acquisition of teams or small businesses that fit our strategy and approach.

Protecting and Sustaining the Business

We continue to invest in protecting, sustaining and developing our proven business model and brand to protect our returns and maximise growth opportunities in the long term. The strong profitability inherent in our business means we can invest through the cycle, and in the past year we have progressed a number of key initiatives. At the same time we have tightened our focus on cost to ensure cost growth has remained in line with revenue for the year overall.

Key developments in the year include the launch of our technology leasing business in Commercial Finance and continued growth of our point of sale finance offering to retailers. We have also continued our investment in people including the Training Academy in asset finance, which had a successful first year, and in technology, including an ongoing upgrade of the systems infrastructure in premium finance.

Board Changes

After 31 years with the group, Stephen Hodges has decided to retire and will step down from his position as chief executive of the Banking division and a director of the group, effective 17 November, the date of the Annual General Meeting ("AGM"). The Board would like to thank Stephen for his outstanding contribution to the group and his leadership of the Banking division over many years.

Following the AGM, Preben Prebensen will assume the role of chief executive of the Banking division, in addition to his current role as group chief executive. Preben's leadership, supported by the strength and depth of the senior team within the Banking division, will ensure continued implementation of our well-established strategy and business performance.

Outlook

Looking ahead, our established business model, long track record and strong balance sheet leave us well placed to continue to perform well in a range of market conditions.

To date, we have seen little direct impact on our businesses from the EU referendum result but we continue to monitor developments closely.

Our priority remains to maintain the discipline of our banking model. We remain confident in our market position and expect continued growth at strong returns, and we will continue to actively invest in our business while maintaining a strong focus on cost control. Winterflood has continued to benefit from increased retail investor trading activity since the financial year end, but remains sensitive to changes in market conditions. In Asset Management, we are focused on driving continued growth.

We have had a good start to the year and are confident that our business remains well positioned longer term.

OVERVIEW OF FINANCIAL PERFORMANCE

Key Financials

	2016 £ million	2015[1] £ million	Change %
Operating income	687.4	672.8	2
Adjusted operating expenses	(415.9)	(406.0)	2
Impairment losses on loans and advances	(37.9)	(41.9)	(10)
Adjusted operating profit	**233.6**	224.9	4
Banking	223.0	208.7	7
Securities	19.0	24.6	(23)
Asset Management	14.4	17.8	(19)
Group	(22.8)	(26.2)	(13)
Amortisation of intangible assets on acquisition	(5.1)	(5.0)	2
Operating profit before tax	**228.5**	219.9	4

1 Relevant figures and ratios for 2015 are re-presented for changes in treatment of operating lease assets and Treasury income, as announced on 13 September 2016. See page 15 for details.

Adjusted basic earnings per share	**128.4p**	120.5p	7
Basic earnings per share	125.7p	117.8p	7
Basic earnings per share (including discontinued operations)	125.7p	125.4p	-
Dividend per share	57.0p	53.5p	7
Return on opening equity	18.9%	19.5%	

A Good Financial Performance

In 2016 operating income increased 2% to £687.4 million, driven by higher income from the Banking division, with good demand across all our lending businesses. This was partially offset by lower income in both Securities and Asset Management, reflecting the impact of more difficult market conditions and one-off items in the prior year.

Adjusted operating expenses increased 2% to £415.9 million as we continue to actively invest to support long-term growth. At the same time, we maintain a tight focus on cost control across our businesses to balance investment and short-term earnings. As a result, the expense/income and compensation ratios remained broadly stable at 61% (2015: 60%) and 37% (2015: 37%) respectively.

Overall, this resulted in adjusted operating profit growth of 4% to £233.6 million, with the operating margin broadly unchanged at 34% (2015: 33%). The Banking division accounted for 95% of profits in the period, with adjusted operating profit up 7% to £223.0 million supported by a further reduction in impairments. Winterflood achieved £19.0 million operating profit, while Asset Management continued to make progress in client assets and delivered adjusted operating profit of £14.4 million. Group net expenses, which include the central functions such as finance, legal and compliance, risk and HR, reduced to £22.8 million.

The effective tax rate declined from 20.6% to 18.5% reflecting the one-off write up of deferred tax assets due to the bank corporation tax surcharge which came into effect in January 2016. In the 2017 financial year, we expect the effective tax rate to increase to around 26% reflecting the full year impact of the surcharge.

Adjusted basic earnings per share ("EPS") increased 7% to 128.4p, generating a return on opening equity of 18.9%. Basic EPS, which includes £5.1 million amortisation of intangible assets on acquisition, also increased 7% to 125.7p on a continuing basis.

Results from continuing operations in the comparative year exclude the £0.9 million profit after tax and £10.3 million profit on disposal in relation to Close Brothers Seydler, our German securities business, the sale of which completed in 2015. There were no discontinued operations in 2016.

The board has proposed a 7% increase in the final dividend to 38.0p (2015: 35.5p), resulting in full year dividend growth of 7%. This reflects our progressive dividend policy, while ensuring we maintain appropriate cover to deliver sustainable dividend growth. Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 22 November 2016 to shareholders on the register at 14 October 2016.

Group Balance Sheet

	31 July 2016 £ million	31 July 2015 £ million
Loans and advances to customers	6,431.6	5,737.8
Treasury assets[1]	1,048.4	1,173.4
Market-making assets[2]	576.9	481.9
Other assets	691.3	564.2
Total assets	**8,748.2**	7,957.3
Deposits by customers	4,894.6	4,481.4
Borrowings	1,938.3	1,792.6
Market-making liabilities[2]	505.6	404.3
Other liabilities	312.8	269.1
Total liabilities	**7,651.3**	6,947.4
Equity	1,096.9	1,009.9
Total liabilities and equity	**8,748.2**	7,957.3

1 Treasury assets comprise cash and balances at central banks and debt securities held to support lending in the Banking division.
2 Market-making assets and liabilities comprise settlement balances, long and short trading positions and loans to or from money brokers.

The overall structure of our high quality and transparent balance sheet remains unchanged, and we have maintained our prudent capital, funding and liquidity positions. Our balance sheet is predominantly made up of loans and advances to customers which are short-term in nature (with an average maturity of 14 months and around 90% secured); treasury assets held for liquidity purposes; and settlement balances held within our Securities division. Other assets principally comprise intangibles, property, plant and equipment and prepayments.

In the year total assets increased to £8.7 billion, with 12% growth in the loan book predominantly funded by increased customer deposits and borrowings. Settlement balances also increased, reflecting higher trading activity at Winterflood before the balance sheet date. The group's return on assets was 2.1% (31 July 2015: 2.3%).

Group Capital Position

	31 July 2016 £ million	31 July 2015 £ million
Common equity tier 1 capital	901.4	813.2
Total capital	925.4	848.0
Risk weighted assets	6,682.5	5,932.1
Common equity tier 1 capital ratio	**13.5%**	13.7%
Total capital ratio	13.8%	14.3%
Leverage ratio	10.2%	10.2%

The prudent management of capital is a core element of our business model and underpins our ability to grow our business while maintaining the confidence of shareholders, lenders, regulators and rating agencies. Our strong capital position and consistent profitability have allowed us to grow the loan book, invest in the business and pay a dividend to shareholders over many years.

In the 2016 financial year the common equity tier 1 ("CET1") capital ratio remained broadly unchanged at 13.5%, as continued profit generation largely offset an increase in risk weighted assets due to loan book growth and other balance sheet movements. Overall, CET1 capital increased around £90 million to just over £900 million, reflecting the increase in retained earnings in the period, while risk weighted assets grew to £6.7 billion principally due to higher credit and counterparty risk.

The leverage ratio, which is an unweighted measure of capital adequacy, remains strong and well ahead of regulatory requirements at 10.2%.

This strong and prudent capital position ensures we continue to comfortably meet all regulatory requirements while maintaining flexibility for future growth.

Group Funding

	31 July 2016 £ million	31 July 2015 £ million
Deposits	4,894.6	4,481.4
Secured funding	1,296.3	1,220.8
Unsecured funding[1]	866.0	808.2
Equity	1,096.9	1,009.9
Total available funding	**8,153.8**	7,520.3
Of which term funding (>1 year)	4,315.7	4,018.7
Total funding as % of loan book	127%	131%
Term funding as % of loan book	67%	70%
Average maturity of term funding (excluding equity)	31 months	31 months

1 Unsecured funding excludes £21.0 million (2015: £8.6 million) of non-facility overdrafts included in borrowings and includes £245.0 million (2015: £245.0 million) of undrawn facilities.

Our Treasury function acts as a cost centre managing funding and liquidity to support the lending businesses. In the year we continued to have good access to a wide range of funding markets, allowing us to maintain our diverse funding position, which includes retail and corporate deposits, unsecured bonds, secured funding and other wholesale facilities.

Total funding reached £8.2 billion and accounted for 127% of the loan book. This primarily reflects an increase in customer deposits to £4.9 billion as well as an increase in both secured and unsecured funding to support loan book growth. This includes an increase in our participation in the Funding for Lending Scheme to £451.0 million.

In June we raised £200 million of funds in a public securitisation of our motor finance receivables, further diversifying our funding sources.

Term funding, with an average maturity of 31 months, covered two thirds of the loan book as we continue to apply our prudent "borrow long, lend short" principle.

During the year, both Moody's Investors Services ("Moody's") and Fitch Ratings ("Fitch") reaffirmed our credit ratings. Moody's rates Close Brothers Group ("CBG") A3/P2 and Close Brothers Limited ("CBL") Aa3/P1, with stable outlooks. Fitch rates both CBG and CBL at A/F1 with stable outlooks.

Group Liquidity

	31 July 2016 £ million	31 July 2015 £ million
Bank of England deposits	847.4	1,038.0
Certificates of deposit	201.0	115.3
Gilts	-	20.1
Total treasury assets	**1,048.4**	1,173.4

As a group we hold a prudent level of liquidity that is in excess of internal and regulatory requirements, and we comfortably exceed the minimum level for the Liquidity Coverage Ratio requirements under Capital Requirement Directive ("CRD") IV which came into force on 1 October 2015.

At 31 July 2016 treasury assets were £1.0 billion, with the majority held as high quality liquid assets, on deposit with the Bank of England. We also place surplus funding in certificates of deposit or other liquid securities.

Banking

Key Financials

	2016 £ million	2015[1] £ million	Change %
Operating income	511.2	481.9	6
Retail Finance	204.6	186.3	10
Commercial Finance	202.3	195.9	3
Property Finance	104.3	99.7	5
Adjusted operating expenses	(250.3)	(231.3)	8
Impairment losses on loans and advances	(37.9)	(41.9)	(10)
Adjusted operating profit	**223.0**	208.7	7
Net interest margin	8.2%	8.6%	
Expense/income ratio	49%	48%	
Bad debt ratio	0.6%	0.7%	
Return on net loan book	3.6%	3.7%	
Return on opening equity	26%	27%	
Average loan book and operating lease assets	6,226.4	5,629.2	

1 Relevant figures and ratios for 2015 are re-presented for changes in treatment of operating lease assets and Treasury income, as announced on 13 September 2016. See page 15 for details.

Strong Financial Performance

The Banking division delivered strong growth and returns, notwithstanding ongoing competition in some of our markets.

The loan book growth of 12% (2015: 8%) was driven by robust demand and an increasing contribution from new initiatives, while maintaining our strict risk and return criteria. As a result, the return on net loan book at 3.6% remains ahead of the long-term average of 3.4%.

Operating income grew 6% to £511.2 million**,** with good performance across all lending areas. Adjusted operating profit increased 7% to £223.0 million.

The net interest margin reduced to 8.2% principally due to ongoing price competition, especially in Commercial Finance, and lower fee income. While it is below the prior year, our approach remains consistent with strict lending criteria across our businesses and we have maintained a strong return on opening equity of 26%.

Adjusted operating expenses increased 8% to £250.3 million in the Banking division as we continue to invest in our IT systems as well as new strategic initiatives to support future growth, including our Training Academy in asset finance and continued expansion into adjacent markets. In the first half expenses increased 11% compared to income at 5%, partly reflecting the phasing of investment spend. In the second half cost growth reduced to 5%, while income grew at 7% as we tightened cost control without impacting spend on key initiatives. This tight focus on cost is continuing, while ensuring that we maintain investment to maximise opportunities in the long term.

Overall, the expense/income ratio increased to 49%, which remains consistent with previous cycles. The compensation ratio was broadly stable at 29% (2015: 28%).

The bad debt ratio continued to reduce to 0.6%, with all businesses now at or near historical lows, benefiting from the benign credit environment and consistent application of our prudent underwriting criteria.

Diversified Business Model Driving Loan Book Growth

During the year, the loan book increased 12% to £6.4 billion with strong demand across all our businesses and an increased contribution from new initiatives.

Loan Book Analysis

	31 July 2016 £ million	31 July 2015 £ million	Change %
Retail Finance	**2,511.0**	2,266.0	11
Motor finance	1,740.5	1,600.3	9
Premium finance	770.5	665.7	16
Commercial Finance	**2,463.4**	2,172.8	13
Asset finance	2,035.1	1,796.2	13
Invoice finance	428.3	376.6	14
Property Finance	**1,457.2**	1,299.0	12
Closing loan book	**6,431.6**	5,737.8	12

Retail Finance

Retail Finance provides intermediated finance, principally to individuals, through motor dealers, insurance brokers and retailers. The Retail Finance loan book increased 11% to £2.5 billion with good growth in both motor and premium finance. The motor finance loan book grew despite a competitive market environment, supported by strong underlying demand for second hand cars and associated finance. Growth was particularly strong in the Irish loan book, which now exceeds £290 million.

The premium finance book increased 16% to £770.5 million driven by robust new business levels and greater penetration of existing brokers. We are investing to upgrade the IT systems within premium finance, which will modernise and simplify the customer experience, improve broker interaction and facilitate the future development of our business.

Although still small, our new consumer point of sale initiative has experienced good growth during the year and we are increasing the number of retailers we work with.

Overall, operating income in Retail Finance increased 10%, reflecting loan book growth and the pricing discipline embedded in our business model.

Commercial Finance

Commercial Finance, which focuses on specialist, secured lending to the SME market, achieved good growth in the period. The loan book increased 13% to £2.5 billion as a result of robust new business volumes, notwithstanding the competitive environment. Growth was particularly strong in more specialist lending areas, for example green energy where the loan book now exceeds £200 million.

Overall, the asset finance loan book grew at 13%, with the smaller invoice finance book increasing 14% in the period.

Our ongoing investment in growth initiatives includes the Training Academy in asset finance, set up to develop the next generation of specialist sales representatives. We also launched a new technology finance business, specialising in leasing IT and other technology equipment to corporate clients, which has started operating in the period.

Operating income in Commercial Finance rose 3%, with a higher loan book partly offset by pricing pressure, particularly in the broker distributed part of the business. However, we have seen good new business from our direct sales force, which accounts for over 50% of asset finance business, at continued strong margins.

Property Finance

Property Finance is primarily focused on providing specialist residential development finance to well established professional developers in the UK. We do not lend to the buy-to-let sector, or provide any form of residential or commercial mortgages. At this point in the cycle, the business is performing very well, with historically low impairments and strong growth in profitability as we continue to see good demand for core residential development finance as well as for shorter-term bridging and refurbishment finance.

We have a successful track record of lending profitably and continue to apply the same prudent underwriting criteria with conservative loan to value ratios of 50% to 60% over a short-term period of six to 18 months. We know our borrowers well and have long established relationships with around 75% repeat business and a deep knowledge of the markets we operate in.

In recent years we have expanded our reach into other high quality regional locations, where we see attractive growth opportunities, while maintaining a strong presence in London, the South East and Scotland. Overall, the loan book increased 12% in the year to £1.5 billion, with healthy new business volumes.

Operating income increased 5% and despite the on-going competitive pressure on fees, we are confident in the quality of our loan book and our ability to continue to lend to our customers in all market conditions.

SECURITIES

Key Financials

	2016 £ million	2015 £ million	Change %
Operating income[1]	82.3	94.6	(13)
Operating expenses	(63.3)	(70.0)	(10)
Operating profit[1]	**19.0**	24.6	(23)

1 Operating income and operating profit include £3.8 million (2015: £6.8 million) and £1.9 million (2015: £3.5 million) respectively relating to the disposal of Euroclear shares.

Bargains per day	52k	60k	(14)
Operating margin	23%	26%	
Return on opening equity	21%	26%	

Strong and Diverse Business Model Continues To Deliver

Winterflood has traded successfully throughout the year, maintaining its market leading position and delivering £19.0 million operating profit. This includes £1.9 million (2015: £3.5 million) from the disposal of the remaining holding in Euroclear.

Operating income reduced 13% to £82.3 million reflecting lower trading income across most sectors but particularly in AIM, which was impacted by the significant falls in commodity prices in the first half. Performance improved across all sectors in the second half with Winterflood successfully navigating the build up and the subsequent reaction to the EU referendum vote.

Average daily bargains decreased 14% to 51,864, resulting from lower retail investor activity, primarily in the first half. However, activity increased in the second half and following the EU referendum in late June. There were four loss days in the second half, although volatility in the first half meant the total number for the full year increased to 17 (2015: 14) loss days.

Operating expenses decreased 10% as a result of Winterflood's variable cost model. The expense/income and compensation ratios increased slightly to 77% (2015: 74%) and 48% (2015: 47%) respectively.

ASSET MANAGEMENT

Key Financials

	2016 £ million	2015 £ million	Change %
Investment management	57.4	54.1	6
Advice and other services	32.1	36.1	(11)
Other income	2.8	5.4	(48)
Operating income	**92.3**	95.6	(3)
Adjusted operating expenses	(77.9)	(77.8)	-
Adjusted operating profit	**14.4**	17.8	(19)

Revenue margin (bps)	86	88
Operating margin	16%	19%
Return on opening equity	25%	39%

Challenging Conditions Affecting Performance

Although lower market levels have impacted the results for the year, we remain confident in our long-term strategy, and underlying demand for our products and services remains solid. Overall Asset Management delivered £14.4 million adjusted operating profit with positive net flows of £508 million, or 6% of opening managed assets.

In the year we disposed of our corporate advice and investment management business. These activities included £682 million advised assets and £653 million managed assets at the time of disposal and contributed £3.1 million (2015: £5.8 million) income and £2.1 million (2015: £0.7 million) operating profit for the year, including a £1.7 million profit on disposal.

Excluding the corporate business and a one-off gain from our former private equity business in the prior year of £4.4 million, adjusted operating profit was broadly flat at £12.3 million (2015: £12.7 million).

Total income reduced 3% to £92.3 million, reflecting lower markets through much of the year and reduced inflows, which impacted recurring income and fees. The revenue margin decreased slightly to 86bps. Excluding the corporate business, the underlying revenue margin was 91bps (2015: 95bps).

Adjusted operating expenses remained flat at £77.9 million, while the expense/income ratio increased slightly to 84% (2015: 81%), as an increase in staff costs was offset by the sale of the corporate business. The compensation ratio remained broadly stable at 54% (2015: 53%).

Continued Positive Inflows

Total managed assets remained stable at £8.0 billion as net inflows and market movements were offset by the disposal of our corporate business. Although below the prior year, net inflows remained positive at 6% and market movements benefited from the rise in markets at the period end.

Total client assets, which include advised assets under third party management, reduced to £9.9 billion, principally reflecting the disposal of the corporate business.

Movement in Client Assets

	31 July 2016 £ million	31 July 2015 £ million
Opening managed assets	**7,996**	6,922
Inflows	1,238	1,477
Outflows	(730)	(777)
Net inflows	**508**	700
Market movements	196	374
Disposals	(653)	-
Total managed assets	**8,047**	7,996
Advised only assets	1,854	2,797
Total client assets[1]	**9,901**	10,793

1 Total client assets include £3.0 billion (31 July 2015: £2.7 billion) of assets that are both advised and managed.

Net flows as % of opening managed assets	**6%**	10%

Our investment strategy is intended to deliver long-term returns with a prudent investment approach, tailored to individual clients' risk profiles. Although short-term performance has been affected by recent volatile markets, at the financial year end the majority of our funds and bespoke strategies were ranked first or second quartile over three years.

During the year we agreed the acquisition of a high net worth independent financial advisory business based in London which will add around £350 million of advised assets and 600 clients, and is expected to complete in the first half of 2017. This is consistent with our strategy to support organic growth with small acquisitions, where we see a good cultural fit and low integration risk.

Following the year end we have entered into an agreement regarding the sale of OLIM Investment Managers, which will further increase our focus on our core integrated wealth management offering. The disposal represented around £490 million of managed assets as at 31 July 2016, and contributed income of £2.5 million and adjusted operating profit of £0.9 million in the 2016 financial year.

DEFINITIONS

Adjusted: Adjusted measures are used to increase comparability between periods and exclude amortisation of intangible assets on acquisition, and any goodwill impairments and exceptional items

Bad debt ratio: Impairment losses on average net loans and advances to customers and operating lease assets

Compensation ratio: Total staff costs on operating income

Earnings per share: Profit after tax plus non-controlling interests on number of basic shares

Exceptional items: Income or costs which are material in size and non-recurring in nature

Expense/income ratio: Total adjusted operating expenses on adjusted operating income

High quality liquid assets: Assets which qualify as high quality liquid assets for FCA liquidity purposes, including deposits with the Bank of England, gilts and Treasury Bills drawn under the Funding for Lending Scheme

Leverage ratio: Tier 1 capital as a percentage of total balance sheet assets, adjusting for certain capital deductions, including intangible assets, and off balance sheet exposures

Net interest margin: Net income generated by lending activities, including net interest income, net fees and commissions and net operating lease income (deducting depreciation), on average net loans and advances to customers and operating lease assets

Return on net loan book: Adjusted operating profit from lending activities on average net loans and advances to customers and operating lease assets

Return on opening equity: Adjusted operating profit after tax and non-controlling interests on opening equity, excluding non-controlling interests

Revenue margin: Income from advice, investment management and related services on total client assets

Term funding: Funding with a remaining maturity greater than 12 months

Re-presentation of treasury income and operating lease assets

As announced on 13 September 2016, we have implemented minor changes to the calculation of our key metrics in the Banking division to better represent the contribution of operating lease assets and the role of Treasury. The net interest margin now includes the full amount of Treasury income (2015: £13.4 million), which is allocated to individual lending businesses, reflecting its role as a cost centre. Furthermore, operating lease income has been adjusted to deduct depreciation of operating lease assets (2015: £16.7 million), which is now reported as a cost of sales and included in operating income in the group's consolidated income statement. The calculation of key ratios has also been adjusted to take into account the value of operating lease assets (2015: average of £115.4 million) on the balance sheet.

These adjustments do not reflect any changes in the underlying business and have no effect on the adjusted operating profit or operating profit before tax, earnings per share, balance sheet or regulatory capital measures.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 July 2016

	Note	**2016 £ million**	2015[1] £ million
Interest income		**550.1**	528.8
Interest expense		**(127.5)**	(132.3)
Net interest income		**422.6**	396.5
Fee and commission income		**189.2**	195.7
Fee and commission expense		**(28.5)**	(30.2)
Gains less losses arising from dealing in securities		**67.9**	72.0
Other income		**55.8**	55.5
Depreciation of operating lease assets		**(19.6)**	(16.7)
Non-interest income		**264.8**	276.3
Operating income		**687.4**	672.8
Administrative expenses		**(415.9)**	(406.0)
Impairment losses on loans and advances	7	**(37.9)**	(41.9)
Total operating expenses before amortisation of intangible assets on acquisition		**(453.8)**	(447.9)
Operating profit before amortisation of intangible assets on acquisition		**233.6**	224.9
Amortisation of intangible assets on acquisition		**(5.1)**	(5.0)
Operating profit before tax		**228.5**	219.9
Tax	3	**(42.2)**	(45.4)
Profit after tax from continuing operations		**186.3**	174.5
Profit from discontinued operations, net of tax	4	**-**	11.2
Profit after tax		**186.3**	185.7
Profit attributable to non-controlling interests from continuing operations		**(0.2)**	-
Profit attributable to shareholders		**186.5**	185.7
From continuing operations			
Basic earnings per share	5	**125.7p**	117.8p
Diluted earnings per share	5	**124.3p**	116.5p
From continuing and discontinued operations			
Basic earnings per share	5	**125.7p**	125.4p
Diluted earnings per share	5	**124.3p**	124.0p
Interim dividend per share paid	6	**19.0p**	18.0p
Final dividend per share	6	**38.0p**	35.5p

1 Re-presented – see note 1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2016

	2016 £ million	2015 £ million
Profit after tax	**186.3**	185.7
Other comprehensive income/(expense) that may be reclassified to income statement from continuing operations		
Currency translation gains/(losses)	**3.2**	(3.0)
Losses on cash flow hedging	**(6.1)**	(5.5)
Gains/(losses) on equity shares classified as available for sale	**0.2**	(0.5)
Available for sale investment gains transferred to income statement on disposal	**(4.2)**	(6.8)
Tax relating to items that may be reclassified	**0.9**	2.5
	(6.0)	(13.3)
Other comprehensive (expense)/income that will not be reclassified to income statement from continuing operations		
Defined benefit pension scheme losses	**(1.9)**	(2.0)
Tax relating to items that will not be reclassified	**0.3**	0.4
	(1.6)	(1.6)
Other comprehensive expense, net of tax from continuing operations	**(7.6)**	(14.9)
Other comprehensive expense, net of tax from discontinued operations	**-**	(1.2)
Total comprehensive income	**178.7**	169.6
Attributable to		
Non-controlling interests	**(0.2)**	-
Shareholders	**178.9**	169.6
	178.7	169.6

CONSOLIDATED BALANCE SHEET
at 31 July 2016

	Note	**2016 £ million**	2015 £ million
Assets			
Cash and balances at central banks		**847.4**	1,038.0
Settlement balances		**478.1**	398.3
Loans and advances to banks		**121.5**	84.6
Loans and advances to customers	7	**6,431.6**	5,737.8
Debt securities	8	**221.3**	149.5
Equity shares	9	**28.2**	41.2
Loans to money brokers against stock advanced		**52.4**	38.4
Derivative financial instruments		**44.7**	19.7
Intangible assets	10	**147.9**	144.2
Property, plant and equipment		**185.8**	148.4
Deferred tax assets		**55.2**	39.4
Prepayments, accrued income and other assets		**134.1**	117.8
Total assets		**8,748.2**	7,957.3
Liabilities			
Settlement balances and short positions	12	**475.6**	404.3
Deposits by banks	13	**71.1**	35.1
Deposits by customers	13	**4,894.6**	4,481.4
Loans and overdrafts from banks	13	**469.1**	381.2
Debt securities in issue	13	**1,422.8**	1,365.0
Loans from money brokers against stock advanced		**30.0**	-
Derivative financial instruments		**16.3**	7.1
Current tax liabilities		**20.0**	17.9
Accruals, deferred income and other liabilities		**205.4**	209.0
Subordinated loan capital		**46.4**	46.4
Total liabilities		**7,651.3**	6,947.4
Equity			
Called up share capital		**37.7**	37.7
Share premium account		**284.0**	284.0
Retained earnings		**797.5**	694.4
Other reserves		**(22.1)**	(6.3)
Total shareholders' equity		**1,097.1**	1,009.8
Non-controlling interests		**(0.2)**	0.1
Total equity		**1,096.9**	1,009.9
Total liabilities and equity		**8,748.2**	7,957.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2016

				Other reserves						
	Called up share capital £ million	Share premium account £ million	Retained earnings £ million	Available for sale movements reserve £ million	Share-based payments reserve £ million	Exchange movements reserve £ million	Cash flow hedging reserve £ million	Total attributable to equity holders £ million	Non-controlling interests £ million	Total equity £ million
At 1 August 2014	37.7	283.8	589.8	9.6	(7.5)	1.0	2.1	916.5	1.1	917.6
Profit for the year	-	-	185.7	-	-	-	-	185.7	-	185.7
Other comprehensive (expense)/income	-	-	(1.6)	(6.3)	-	(3.8)	(4.4)	(16.1)	-	(16.1)
Total comprehensive income/(expense) for the year	-	-	184.1	(6.3)	-	(3.8)	(4.4)	169.6	-	169.6
Exercise of options	-	0.1	-	-	-	-	-	0.1	-	0.1
Dividends paid	-	-	(74.3)	-	-	-	-	(74.3)	(0.1)	(74.4)
Shares purchased	-	-	-	-	(18.2)	-	-	(18.2)	-	(18.2)
Shares issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Shares released	-	-	-	-	20.5	-	-	20.5	-	20.5
Other movements	-	-	(8.3)	-	0.7	-	-	(7.6)	(0.9)	(8.5)
Income tax	-	-	3.1	-	-	-	-	3.1	-	3.1
At 31 July 2015	37.7	284.0	694.4	3.3	(4.5)	(2.8)	(2.3)	1,009.8	0.1	1,009.9
Profit for the year	-	-	186.5	-	-	-	-	186.5	(0.2)	186.3
Other comprehensive (expense)/income	-	-	(1.6)	(3.3)	-	1.7	(4.4)	(7.6)	-	(7.6)
Total comprehensive income/(expense) for the year	-	-	184.9	(3.3)	-	1.7	(4.4)	178.9	(0.2)	178.7
Exercise of options	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	(80.3)	-	-	-	-	(80.3)	-	(80.3)
Shares purchased	-	-	-	-	(24.4)	-	-	(24.4)	-	(24.4)
Shares issued	-	-	-	-	-	-	-	-	-	-
Shares released	-	-	-	-	12.8	-	-	12.8	-	12.8
Other movements	-	-	(2.5)	-	1.8	-	-	(0.7)	(0.1)	(0.8)
Income tax	-	-	1.0	-	-	-	-	1.0	-	1.0
At 31 July 2016	**37.7**	**284.0**	**797.5**	**-**	**(14.3)**	**(1.1)**	**(6.7)**	**1,097.1**	**(0.2)**	**1,096.9**

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2016

	Note	**2016 £ million**	2015 £ million
Net cash outflow from operating activities	15(a)	**(18.8)**	(18.0)
Net cash (outflow)/inflow from investing activities			
Purchase of:			
Property, plant and equipment		**(13.6)**	(14.8)
Intangible assets – software		**(21.7)**	(19.1)
Subsidiaries and non-controlling interest	15(b)	**(3.6)**	(1.0)
Sale of:			
Property, plant and equipment		**0.1**	0.1
Equity shares held for investment		**7.6**	5.6
Subsidiary	15(c)	**2.3**	23.2
		(28.9)	(6.0)
Net cash outflow before financing activities		**(47.7)**	(24.0)
Financing activities			
Issue of ordinary share capital, net of transaction costs	15(d)	**-**	0.1
Purchase of own shares for employee share award schemes		**(24.4)**	(18.2)
Equity dividends paid		**(80.3)**	(74.2)
Dividends paid to non-controlling interests		**-**	(0.1)
Interest paid on subordinated loan capital and debt financing		**(28.0)**	(18.6)
Net decrease in cash		**(180.4)**	(135.0)
Cash and cash equivalents at beginning of year		**1,103.7**	1,238.7
Cash and cash equivalents at end of year	15(e)	**923.3**	1,103.7

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 2016 or 31 July 2015 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 2015.

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 3 October 2016.

The financial information for the year ended 31 July 2016 has been derived from the audited financial statements of Close Brothers Group plc for that year. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 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.

Re-presentation of consolidated income statement

As announced on 13 September 2016, following a review of our financial reporting, we have implemented minor changes to the calculation of key metrics in the Banking division to better represent the contribution of operating lease assets and the role of Treasury. This has resulted in depreciation of operating lease assets, previously included in administrative expenses, to be reported as a cost of sales and included in operating income in the consolidated income statement.

To enable comparisons and in line with the treatment adopted for the 2016 consolidated income statement, the 2015 comparative information has also been re-presented. This has resulted in non-interest income and operating income to decrease by £16.7 million with a corresponding decrease in administrative expenses and total operating expenses before amortisation of intangible assets on acquisition.

There has been no impact on profit attributable to shareholders or equity.

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, Marketing, Communications, Investor Relations, Legal, Human Resources, Internal 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.

2. Segmental analysis continued

Divisions charge market prices for services rendered to other parts of the group. Funding charges between Banking businesses are determined by the Banking division's Treasury operation taking into account commercial demands. Funding arrangements between other segments is limited. More than 90% of all the group's activities, revenue and assets are located in the UK.

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million
Summary Income Statement for year ended 31 July 2016					
Net interest income/(expense)	422.2	(0.6)	0.4	0.6	422.6
Non-interest income	89.0	82.9	91.9	1.0	264.8
Operating income	511.2	82.3	92.3	1.6	687.4
Administrative expenses	(229.7)	(61.7)	(75.9)	(24.2)	(391.5)
Depreciation and amortisation	(20.6)	(1.6)	(2.0)	(0.2)	(24.4)
Impairment losses on loans and advances	(37.9)	-	-	-	(37.9)
Total operating expenses	(288.2)	(63.3)	(77.9)	(24.4)	(453.8)
Adjusted operating profit/(loss)[1]	223.0	19.0	14.4	(22.8)	233.6
Amortisation of intangible assets on acquisition	(0.5)	-	(4.6)	-	(5.1)
Operating profit/(loss) before tax	222.5	19.0	9.8	(22.8)	228.5
External operating income/(expense)	524.6	82.3	92.9	(12.4)	687.4
Inter segment operating (expense)/income	(13.4)	-	(0.6)	14.0	-
Segment operating income	511.2	82.3	92.3	1.6	687.4

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

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Balance Sheet Information at 31 July 2016					
Total assets	7,988.7	647.5	104.8	7.2	8,748.2
Total liabilities	7,195.5	577.8	49.1	(171.1)	7,651.3
Equity	793.2	69.7	55.7	178.3	1,096.9
Other segmental information for the year ended 31 July 2016					
Property, plant, equipment and intangible asset expenditure	95.0	3.4	3.0	-	101.4
Employees (average number)	2,077	238	570	61	2,946

2. Segmental analysis continued

The following table provides further detail on operating income:

	2016 £ million	2015[1] £ million
Banking		
Retail Finance	**204.6**	186.3
Commercial Finance	**202.3**	195.9
Property Finance	**104.3**	99.7
Securities		
Market-making and related activities	**82.3**	94.6
Asset Management		
Investment management	**57.4**	54.1
Advice and other services	**32.1**	36.1
Other income	**2.8**	5.4
Group	**1.6**	0.7
Operating income from continuing operations	**687.4**	672.8

1 Re-presented – see note 1.

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million
Summary Income Statement for year ended 31 July 2015[1]					
Net interest income/(expense)	396.5	(0.9)	0.2	0.7	396.5
Non-interest income	85.4	95.5	95.4	-	276.3
Operating income	481.9	94.6	95.6	0.7	672.8
Administrative expenses	(214.6)	(69.0)	(76.4)	(26.3)	(386.3)
Depreciation and amortisation	(16.7)	(1.0)	(1.4)	(0.6)	(19.7)
Impairment losses on loans and advances	(41.9)	-	-	-	(41.9)
Total operating expenses	(273.2)	(70.0)	(77.8)	(26.9)	(447.9)
Adjusted operating profit/(loss)[2]	208.7	24.6	17.8	(26.2)	224.9
Amortisation of intangible assets on acquisition	(0.5)	-	(4.5)	-	(5.0)
Operating profit/(loss) before tax	208.2	24.6	13.3	(26.2)	219.9
External operating income/expense	511.8	94.6	96.5	(13.4)	689.5
Inter segment operating (expense)/income	(13.2)	-	(0.9)	14.1	-
Segment operating income	498.6	94.6	95.6	0.7	689.5

1 Re-presented – see note 1.
2 Adjusted operating profit/(loss) is stated before amortisation of intangible assets on acquisition, profit on disposal of discontinued operations and tax.

2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Balance Sheet Information at 31 July 2015					
Total assets	7,303.1	538.7	101.1	14.4	7,957.3
Total liabilities	6,592.0	466.8	53.5	(164.9)	6,947.4
Equity	711.1	71.9	47.6	179.3	1,009.9

Other segmental information for the year ended 31 July 2015					
Property, plant, equipment and intangible asset expenditure	74.7	3.5	2.6	0.1	80.9
Employees (average number)	1,910	232	562	63	2,767

3. Taxation

	2016 £ million	2015 £ million
Tax charged/(credited) to the income statement		
Current tax:		
UK corporation tax	**56.5**	49.1
Foreign tax	**2.5**	2.6
Adjustments in respect of previous years	**(1.1)**	(0.2)
	57.9	51.5
Deferred tax:		
Deferred tax credit for the current year	**(16.5)**	(6.5)
Adjustments in respect of previous years	**0.8**	0.4
	42.2	45.4
Tax on items not (credited)/charged to the income statement		
Current tax relating to:		
Share-based transactions tax allowance in excess of expense recognised	**(2.1)**	(4.1)
Deferred tax relating to:		
Cash flow hedging	**(1.7)**	(1.1)
Defined benefit pension scheme	**(0.3)**	(0.4)
Financial instruments classified as available for sale	**(0.7)**	(1.0)
Share-based transactions tax allowance in excess of expense recognised	**1.1**	1.0
Currency translation gains/(losses)	**1.5**	(0.4)
	(2.2)	(6.0)
Reconciliation to tax expense		
UK corporation tax for the year at 20.0% (2015: 20.7%) on operating profit	**45.7**	45.5
Gain on sale of subsidiaries and available for sale investment	**(0.5)**	-
Effect of different tax rates in other jurisdictions	**(0.6)**	(0.8)
Disallowable items and other permanent differences	**1.5**	0.3
Banking surcharge	**8.2**	-
Deferred tax impact of (increased)/decreased UK corporation tax rate	**(11.8)**	0.2
Prior year tax provision	**(0.3)**	0.2
	42.2	45.4

3. Taxation continued

The standard UK corporation tax rate for the financial year is 20.0% (2015: 20.7%). From 1 January 2016 an additional 8% surcharge applies to banking company profits as defined in legislation.

The effective tax rate is 18.5% (2015: 20.6%) which is below the UK corporation tax rate. This reflects a write up of deferred tax assets due to the introduction of the bank corporation tax surcharge, more than offsetting the surcharge payable on profits for the period since 1 January 2016.

Movements in deferred tax assets and liabilities were as follows:

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Available for sale assets £ million	Cash flow hedging £ million	Intangible assets £ million	Other £ million	Total £ million
At 1 August 2014	27.8	(1.0)	10.9	(1.7)	(0.5)	(4.2)	0.4	31.7
Credit to the income statement	4.9	-	0.3	-	-	0.9	-	6.1
Credit to other comprehensive income	0.4	0.4	-	1.0	1.1	-	-	2.9
Charge to equity	-	-	(1.0)	-	-	-	-	(1.0)
Acquisition	-	-	-	-	-	(0.3)	-	(0.3)
At 31 July 2015	33.1	(0.6)	10.2	(0.7)	0.6	(3.6)	0.4	39.4
Credit to the income statement	13.3	-	1.1	-	-	1.0	0.3	15.7
(Charge)/credit to other comprehensive income	(1.5)	0.3	-	0.7	1.7	-	-	1.2
Charge to equity	-	-	(1.1)	-	-	-	-	(1.1)
Acquisition	-	-	-	-	-	-	-	-
At 31 July 2016	**44.9**	**(0.3)**	**10.2**	**-**	**2.3**	**(2.6)**	**0.7**	**55.2**

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

4. Discontinued operations

On 5 January 2015, the group completed the sale of Close Brothers Seydler (“Seydler”) to Oddo & Cie for a gross cash consideration of €46.5 million (£36.4 million), which includes a post year end adjustment of £0.5 million following finalisation of completion accounts. The profit on disposal was £10.3 million.

Based in Frankfurt, Seydler provided equity and debt capital markets services, securities trading and research primarily in German small and mid-sized companies and was part of the Securities division.

The transaction fulfilled the requirements of IFRS 5 to be classified as “Discontinued operations” in the consolidated income statement, the results of which are set out below:

4. Discontinued operations continued

Results of discontinued operations

	2016 £ million	2015[1] £ million
Operating income	-	11.7
Operating expenses	-	(10.4)
Operating profit before tax	-	1.3
Tax	-	(0.4)
Profit after tax	-	0.9
Profit on disposal of discontinued operations, net of tax	-	10.3
Profit from discontinued operations	-	11.2

1 Profit after tax is up until the point of disposal.

Cash flow from discontinued operations

	2016 £ million	2015[1] £ million
Net cash flow from operating activities	-	6.6
Net cash flow from investing activities	-	(0.1)
Net cash flow from financing activities	-	-

1 Up until the point of disposal.

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.

	2016	2015
Continuing operations		
Basic	**125.7p**	117.8p
Diluted	**124.3p**	116.5p
Adjusted basic[1]	**128.4p**	120.5p
Adjusted diluted[1]	**127.0p**	119.2p
Continuing and discontinued operations		
Basic	**125.7p**	125.4p
Diluted	**124.3p**	124.0p
Discontinued operations		
Basic	-	7.6p
Diluted	-	7.5p

1 Excludes amortisation of intangible assets on acquisition, discontinued operations and their tax effects.

5. Earnings per share continued

	2016 £ million	2015 £ million
Profit attributable to shareholders	**186.5**	185.7
Less profit from discontinued operations, net of tax	**-**	11.2
Profit attributable to shareholders on continuing operations	**186.5**	174.5
Adjustments:		
Amortisation of intangible assets on acquisition	**5.1**	5.0
Tax effect of adjustments	**(1.0)**	(1.0)
Adjusted profit attributable to shareholders on continuing operations	**190.6**	178.5

	2016 million	2015 million
Average number of shares		
Basic weighted	**148.4**	148.1
Effect of dilutive share options and awards	**1.7**	1.7
Diluted weighted	**150.1**	149.8

6. Dividends

	2016 £ million	2015 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2015: 35.5p (2014: 32.5p)	**52.3**	47.6
Interim dividend for current financial year paid in April 2016: 19.0p (2015: 18.0p)	**28.0**	26.7
	80.3	74.3

A final dividend relating to the year ended 31 July 2016 of 38.0p, amounting to an estimated £56.1 million, is proposed. This final dividend, which is due to be paid on 22 November 2016 to shareholders on the register at 14 October 2016, 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 2016	**58.1**	**1,746.0**	**2,014.4**	**1,279.3**	**1,328.2**	**65.3**	**(59.7)**	**6,431.6**
At 31 July 2015	45.4	1,543.5	1,797.8	1,108.2	1,254.1	44.9	(56.1)	5,737.8

7. Loans and advances to customers continued

	2016 £ million	2015 £ million
Impairment provisions on loans and advances to customers		
At 1 August	**56.1**	48.3
Charge for the year	**37.9**	41.9
Amounts written off net of recoveries	**(34.3)**	(34.1)
At 31 July	**59.7**	56.1
Loans and advances to customers comprise		
Hire purchase agreement receivables	**2,782.4**	2,552.9
Finance lease receivables	**440.1**	473.0
Other loans and advances	**3,209.1**	2,711.9
At 31 July	**6,431.6**	5,737.8

At 31 July 2016, gross impaired loans were £158.5 million (31 July 2015: £162.3 million) and equate to 2% (31 July 2015: 3%) 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	**20.3**	**-**	**-**	**20.3**
Certificates of deposit	**-**	**-**	**201.0**	**201.0**
Gilts	**-**	**-**	**-**	**-**
At 31 July 2016	**20.3**	**-**	**201.0**	**221.3**

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions	14.1	-	-	14.1
Certificates of deposit	-	-	115.3	115.3
Gilts	-	20.1	-	20.1
At 31 July 2015	14.1	20.1	115.3	149.5

8. Debt securities continued

Movements on the book value of gilts comprise:

	£ million
At 1 August 2014	45.6
Redemptions at maturity	(25.0)
Movement in value	(0.5)
At 31 July 2015	20.1
Redemptions at maturity	(20.0)
Movement in value	(0.1)
At 31 July 2016	**-**

9. Equity shares

	31 July 2016 £ million	31 July 2015 £ million
Long trading positions	**26.1**	31.1
Other equity shares	**2.1**	10.1
	28.2	41.2

Movements on the book value of other equity shares comprise:

	Available for sale £ million	Fair value through profit or loss £ million	Total £ million
At 1 August 2014	19.5	0.1	19.6
Disposals	(8.1)	-	(8.1)
Currency translation differences	(0.4)	-	(0.4)
Movement in value of:			
Equity shares classified as available for sale	(1.0)	-	(1.0)
At 31 July 2015	10.0	0.1	10.1
Disposals	(7.7)	-	(7.7)
Currency translation differences	0.4	-	0.4
Movement in value of:			
Equity shares classified as available for sale	(0.7)	-	(0.7)
At 31 July 2016	**2.0**	**0.1**	**2.1**

10. Intangible assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Total £ million
Cost				
At 1 August 2014	156.1	68.8	42.4	267.3
Additions	0.3	20.3	1.5	22.1
Disposals	(10.4)	(8.1)	-	(18.5)
Foreign exchange	-	-	-	-
At 31 July 2015	146.0	81.0	43.9	270.9
Additions	1.7	24.1	0.4	26.2
Disposals	(6.9)	(0.5)	-	(7.4)
Foreign exchange	-	-	-	-
At 31 July 2016	**140.8**	**104.6**	**44.3**	**289.7**
Amortisation and impairment				
At 1 August 2014	68.0	35.2	17.8	121.0
Amortisation charge for the year	-	13.5	5.0	18.5
Disposals	(6.2)	(6.5)	(0.1)	(12.8)
At 31 July 2015	61.8	42.2	22.7	126.7
Amortisation charge for the year	-	17.2	5.1	22.3
Disposals	(6.9)	(0.3)	-	(7.2)
At 31 July 2016	**54.9**	**59.1**	**27.8**	**141.8**
Net book value at 31 July 2016	**85.9**	**45.5**	**16.5**	**147.9**
Net book value at 31 July 2015	84.2	38.8	21.2	144.2
Net book value at 1 August 2014	88.1	33.6	24.6	146.3

Additions in goodwill of £1.7 million and intangible assets on acquisition of £0.4 million in 2016 relates to the 100% acquisition of Finance for Industry Group ("FFI"). The principal activities of FFI are those of provision of instalment credit (mainly asset backed finance) to business customers to assist in their acquisition of business equipment and financial brokering to third party lenders. Cash consideration of £3.6 million was paid and a contingent consideration of £1.3 million is expected to be paid in the future for the equity of the business. Additions in goodwill of £0.3 million and intangible assets on acquisition of £1.5 million in 2015 relates to the 100% acquisition of Mackay Stewart and Brown Limited, a Scottish Independent Financial Adviser with £72.0 million of client assets, for cash consideration of £1.8 million for the equity of the business. These acquisitions are not regarded as material in the context of the group's financial statements and therefore information required for material acquisitions by IFRS 3 has not been disclosed.

Disposal of £6.9 million goodwill in 2016 relates to the sale of Asset Management's corporate advice and investment management activities. Disposal of £10.4 million goodwill in 2015 relates to the Seydler disposal of £4.2 million and the write off of fully impaired goodwill of £6.2 million relating to the wind up of Fortune Asset Management Limited.

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

10. Intangible assets continued

In the 2016 financial year, £5.1 million (2015: £5.0 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £17.2 million (2015: £13.5 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 2014	10.1	34.9	132.7	1.2	178.9
Additions	7.4	7.7	43.7	-	58.8
Disposals	(0.1)	(8.0)	(11.3)	(0.4)	(19.8)
At 31 July 2015	17.4	34.6	165.1	0.8	217.9
Additions	4.3	9.2	61.6	0.1	75.2
Disposals	(0.2)	(3.6)	(25.3)	(0.5)	(29.6)
At 31 July 2016	**21.5**	**40.2**	**201.4**	**0.4**	**263.5**
Depreciation					
At 1 August 2014	5.7	26.7	28.9	0.6	61.9
Charge for the year	1.6	4.5	16.7	0.1	22.9
Disposals	(0.1)	(7.5)	(7.5)	(0.2)	(15.3)
At 31 July 2015	7.2	23.7	38.1	0.5	69.5
Charge for the year	2.5	4.6	19.6	0.1	26.8
Disposals	-	(2.2)	(16.1)	(0.3)	(18.6)
At 31 July 2016	**9.7**	**26.1**	**41.6**	**0.3**	**77.7**
Net book value at 31 July 2016	**11.8**	**14.1**	**159.8**	**0.1**	**185.8**
Net book value at 31 July 2015	10.2	10.9	127.0	0.3	148.4
Net book value at 1 August 2014	4.4	8.2	103.8	0.6	117.0

The gain from the sale of assets held under operating leases for the year ended 31 July 2016 was £0.1 million (2015: £nil).

12. Settlement balances and short positions

	31 July 2016 £ million	31 July 2015 £ million
Settlement balances	**456.3**	376.5
Short positions held for trading:		
Debt securities	**5.8**	13.7
Equity shares	**13.5**	14.1
	19.3	27.8
	475.6	404.3

13. 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	**31.9**	**1.9**	**26.5**	**10.1**	**0.7**	**-**	**71.1**
Deposits by customers	**130.8**	**918.0**	**2,117.3**	**1,233.4**	**495.1**	**-**	**4,894.6**
Loans and overdrafts from banks	**11.0**	**207.8**	**160.1**	**90.2**	**-**	**-**	**469.1**
Debt securities in issue	**30.2**	**7.1**	**557.1**	**201.5**	**589.1**	**37.8**	**1,422.8**
At 31 July 2016	**203.9**	**1,134.8**	**2,861.0**	**1,535.2**	**1,084.9**	**37.8**	**6,857.6**

	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	11.5	0.3	22.8	0.5	-	-	35.1
Deposits by customers	154.8	828.4	2,347.7	851.2	299.3	-	4,481.4
Loans and overdrafts from banks	8.6	99.1	123.7	59.9	89.9	-	381.2
Debt securities in issue	11.2	6.7	1.1	747.8	299.3	298.9	1,365.0
At 31 July 2015	186.1	934.5	2,495.3	1,659.4	688.5	298.9	6,262.7

The group has repurchase agreements at 31 July 2016 whereby £451.0 million (2015: £375.0 million) Treasury Bills have been drawn and lent in exchange for cash which is included within loans and overdrafts from banks above. Residual maturities of the repurchase agreements 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 2016	**-**	**197.8**	**160.1**	**90.2**	**-**	**-**	**448.1**
At 31 July 2015	-	99.1	123.7	59.9	89.9	-	372.6

14. Capital

At 31 July 2016, the group's common equity tier 1 capital ratio was 13.5% (31 July 2015: 13.7%).

Common equity tier 1 capital increased to £901.4 million (31 July 2015: £813.2 million) primarily due to growth in profit attributable to shareholders.

Risk weighted assets increased to £6,682.5 million (31 July 2015: £5,932.1 million) as a result of growth in credit and counterparty risk associated with the loan book. Notional risk weighted assets for operational risk also increased reflecting increased performance over recent years.

The composition of capital remained broadly stable with 97.4% (31 July 2015: 95.9%) of the total capital consisting of common equity tier 1 capital.

	31 July 2016 £ million	31 July 2015 £ million
Common equity tier 1 capital		
Called up share capital	**37.7**	37.7
Share premium account	**284.0**	284.0
Retained earnings	**797.5**	694.4
Other reserves recognised for common equity tier 1 capital	**21.8**	18.3
Deductions from common equity tier 1 capital		
Intangible assets, net of associated deferred tax liabilities	**(145.3)**	(140.6)
Foreseeable dividend[1]	**(56.1)**	(52.4)
Investment in own shares	**(37.2)**	(25.6)
Pension asset, net of associated deferred tax liabilities	**(0.9)**	(2.5)
Prudent valuation adjustment	**(0.1)**	(0.1)
Common equity tier 1 capital	**901.4**	813.2
Tier 2 capital		
Subordinated debt[2]	**24.0**	31.5
Unrealised gains on available for sale equity shares	**-**	3.3
Tier 2 capital	**24.0**	34.8
Total regulatory capital	**925.4**	848.0
Risk weighted assets (notional) – unaudited		
Credit and counterparty credit risk	**5,824.9**	5,103.2
Operational risk[3]	**784.9**	753.5
Market risk[3]	**72.7**	75.4
	6,682.5	5,932.1
Common equity tier 1 capital ratio	**13.5%**	13.7%
Total capital ratio	**13.8%**	14.3%

1 Under the Regulatory Technical Standard on own funds, a deduction has been recognised at 31 July 2016 and 31 July 2015 for a foreseeable dividend being the proposed final dividend as set out in note 6.
2 Shown after applying the Capital Requirements Regulations transitional and qualifying own funds arrangements.
3 Operational and market risk include a notional adjustment at 8% in order to determine notional risk weighted assets.

14. Capital continued

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

	31 July 2016 £ million	31 July 2015 £ million
Equity	**1,096.9**	1,009.9
Regulatory deductions from equity:		
Intangible assets, net of associated deferred tax liabilities	**(145.3)**	(140.6)
Foreseeable dividend[1]	**(56.1)**	(52.4)
Pension asset, net of associated deferred tax liabilities	**(0.9)**	(2.5)
Prudent valuation adjustment	**(0.1)**	(0.1)
Other reserves not recognised for common equity tier 1 capital:		
Available for sale movements reserve	**-**	(3.3)
Cash flow hedging reserve	**6.7**	2.3
Non-controlling interests	**0.2**	(0.1)
Common equity tier 1 capital	**901.4**	813.2

1 Under the Regulatory Technical Standard on own funds, a deduction has been recognised at 31 July 2016 and 31 July 2015 for a foreseeable dividend being the proposed final dividend as set out in note 6.

The following table shows the movement in common equity tier 1 capital during the year:

	£ million
Common equity tier 1 capital at 31 July 2015	813.2
Profit in the period attributable to shareholders	186.5
Dividends paid and foreseen	(84.0)
Other movements in retained reserves	(3.1)
Decrease in share-based payments reserve	(9.8)
Increase in exchange movements reserve	1.7
Increase in intangible assets, net of associated deferred tax liabilities	(4.7)
Decrease in pension assets, net of associated deferred tax liabilities	1.6
Common equity tier 1 capital at 31 July 2016	**901.4**

15. Consolidated cash flow statement reconciliation

	31 July 2016 £ million	31 July 2015 £ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities		
Operating profit before tax from continuing operations	**228.5**	219.9
Profit before tax on discontinued operations	**-**	11.6
Tax paid	**(53.7)**	(53.4)
Depreciation and amortisation	**49.1**	41.4
(Increase)/decrease in:		
Interest receivable and prepaid expenses	**(16.0)**	(4.2)
Net settlement balances and trading positions	**(9.7)**	22.8
Net loans to/from money broker against stock advanced	**16.0**	(2.9)
Interest payable and accrued expenses	**3.2**	8.2
Net cash inflow from trading activities	**217.4**	243.4
(Increase)/decrease in:		
Loans and advances to banks not repayable on demand	**(26.7)**	1.6
Loans and advances to customers	**(693.8)**	(448.1)
Assets held under operating leases	**(51.9)**	(39.8)
Certificates of deposit	**(85.7)**	(115.3)
Gilts	**20.0**	25.0
Other assets less other liabilities	**28.9**	(19.1)
Increase/(decrease) in:		
Deposits by banks	**36.0**	(14.5)
Deposits by customers	**413.2**	(23.0)
Loans and overdrafts from banks	**87.9**	371.8
Debt securities in issue, net of transaction costs	**35.9**	-
Net cash inflow from operating activities	**(18.8)**	(18.0)
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries and non-controlling interests		
Cash consideration paid	**(3.6)**	(1.0)
(c) Analysis of net cash inflow in respect of the sale of a subsidiary		
Cash consideration received	**2.4**	36.9
Cash and cash equivalents disposed of	**(0.1)**	(13.7)
	2.3	23.2
(d) Analysis of changes in financing activities		
Share capital (including premium), group bond and subordinated loan capital[1]:		
Opening balance	**566.6**	596.5
Prepayment of subordinated loan capital	**-**	(30.0)
Shares issued for cash	**-**	0.1
	566.6	566.6
(e) Analysis of cash and cash equivalents[2]		
Cash and balances at central banks	**840.6**	1,031.2
Loans and advances to banks repayable on demand	**82.7**	72.5
	923.3	1,103.7

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

THE NOTES

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. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “due”, “could”, “may”, “will”, “should”, “expects”, “believes”, “intends”, “plans”, “potential”, “targets”, “goal” or “estimates”. 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 or 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.