Close Brothers

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Press Release

27 September 2011

Close Brothers Group plc announcement of Preliminary Results for the year ended 31 July 2011

Good strategic progress and operational performance in core business

- Adjusted operating profit from continuing operations increased 13% to £131 million and adjusted EPS from continuing operations increased 11% to 64.8p

- Strong performance in the Banking division with 34% increase in adjusted operating profit to £106 million, 18% loan book growth to £3.4 billion and an improved bad debt ratio of 2.1%

- The Securities division delivered a solid performance in variable market conditions, and adjusted operating profit reduced 8% overall to £55 million

- Asset Management recorded an adjusted operating loss of £9 million as it made significant progress with its transformation, with Private Clients AuM now at £6.5 billion

Exit from non-core activities

- Significant progress on strategic refocusing including sales of UK offshore business, Cayman Islands business and investment in Mako

- Disposals and restructuring resulted in £47 million exceptional charges and £28 million loss from discontinued operations

- After exceptional items, profit before tax from continuing operations was £79 million which translates into basic earnings per share from continuing operations of 29.6p

Strong financial position and increased dividend

- Strong funding and capital position maintained, with core tier 1 capital ratio of 13.1%

- Full year dividend per share increased by 1p, or 3%, to 40p

Financial Highlights

for the year ended 31 July	**2011**	2010
Adjusted operating profit[1] (continuing operations)	**£131.2m**	£116.5m
Adjusted earnings per share[2] (continuing operations)	**64.8p**	58.2p
Operating profit before tax (after exceptional items – continuing operations)	**£78.5m**	£101.0m
Basic earnings per share (after exceptional items – continuing operations)	**29.6p**	47.4p
Ordinary dividend per share[3]	**40.0p**	39.0p
Core tier 1 capital ratio	**13.1%**	13.9%

[1] Adjusted operating profit is before exceptional items, goodwill impairment and amortisation of intangible assets on acquisition.

[2] Adjusted earnings per share is before exceptional items, goodwill impairment, 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.

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

"Close Brothers has made good strategic and operational progress during the year. We achieved a good overall result driven by the Banking division, whilst Securities achieved a solid performance in variable market conditions, and Asset Management has made significant progress on its strategic transformation. During the year we have exited a number of non-core businesses which leaves us with a more streamlined group and allows us to focus on growing and developing our core businesses in Banking, Securities and Asset Management.

Economic and market conditions are uncertain, but we have a strong financial position, continue to see good prospects for our businesses and are well placed to continue delivering solid results."

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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 0845 401 0014, or +44 203 059 5845, password "Close Brothers". A recording of this call will be available for replay for two weeks by dialling 0121 260 4861, access code 6786007#.

About Close Brothers:

Close Brothers is a specialist financial services group which makes loans, trades securities and provides advice and investment management solutions to a wide range of clients.

Close Brothers' 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.

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

Close Brothers was established in 1878 and 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

Close Brothers has performed well in the 2011 financial year and our businesses remain well positioned. We have seen significant growth in the Banking division as we continue to benefit from our strong financial position to take advantage of opportunities presented by the current market environment; Securities has had a solid performance notwithstanding recent challenging market conditions; and the Asset Management division has made significant progress on its strategic refocusing and the building out of its Private Clients business including several acquisitions. We continue to have the financial strength and capital resources to support our businesses and execute our strategic plans, focused on growing and developing our core businesses.

We have made significant progress in repositioning the group to focus on those businesses where we see the highest long-term potential and during the year, we have completed several disposals which have streamlined and simplified the group. In the Asset Management division, this includes the disposals of our businesses in the UK offshore and Cayman Islands as well as the property funds business, announced earlier this year. In line with this strategy we also recently announced an agreement to sell our 49.9% investment in Mako to the management team. Exiting these non-core activities does not affect the group's capital position and allows us to reallocate cash and resources to those businesses which we believe have the best potential to deliver sustainable and growing profits in the future.

Financial Performance

The underlying performance of our businesses has been good overall, and adjusted operating profit from continuing operations increased 13% to £131.2 million (2010: £116.5 million). This was principally driven by the strong performance of the Banking division, where adjusted operating profit increased 34% as a result of 18% loan book growth and a reduction in the bad debt ratio. Securities had a solid performance although adjusted operating profit reduced 8% relative to a strong prior year. The Asset Management division continues to restructure and invest in its transformation and as a result delivered an adjusted operating loss of £8.6 million (2010: loss of £1.5 million).

Overall, adjusted earnings per share from continuing operations increased 11% to 64.8p (2010: 58.2p).

As part of the group's overall restructuring and exit from non-core activities, we have recorded exceptional charges of £46.9 million (2010: £15.0 million) and a loss from discontinued operations of £28.1 million (2010: loss of £2.0 million). Exceptional charges include a £36.0 million impairment of the value of our investment in Mako, reflecting the expected present value of our recent sale agreement; and a further £15.4 million of exceptional charges related to the restructuring of the Asset Management division. The loss from discontinued operations includes the operating result and loss on disposal of the group's UK offshore and Cayman Islands operations, which were sold during the period.

Profit before tax from continuing operations, after exceptional items, was £78.5 million (2010: £101.0 million) which translates into basic earnings per share from continuing operations of 29.6p (2010: 47.4p). After exceptional items and including the loss from discontinued operations, profit attributable to shareholders was £14.6 million (2010: £65.9 million) and basic earnings per share was 10.1p (2010: 46.0p).

During the year we have continued to increase the efficiency of our balance sheet whilst strengthening the diversity and maturity of our funding. This includes raising over £1 billion of new wholesale funding, as well as increasing the amount and maturity of our retail and corporate deposits.

The group's core tier 1 capital ratio remains strong at 13.1% (2010: 13.9%) with a total capital ratio of 14.9% (2010: 15.8%). These capital ratios remain comfortably ahead of minimum regulatory requirements and give us sufficient flexibility to execute our current plans.

OVERVIEW

Chairman's and Chief Executive's Statement continued

The board is recommending an increase of 1.0p in the final dividend per share to 26.5p (2010: 25.5p), resulting in a 3% increase in the total dividend per share for the year to 40.0p (2010: 39.0p). This reflects the group's confidence in the performance and prospects of its core businesses.

Strategy

The group remains focused on executing the strategy set out at the full year results in 2010. This involves developing our three core business areas: the Banking division, which is a leader in specialised finance in the UK; Securities, which is a leader in UK market-making via Winterflood; and Asset Management, which is investing to become a leader in UK wealth and asset management.

In the **Banking** division, our focus is on driving sustainable growth whilst maintaining a predominantly secured, high margin, specialist lending model.

During the period, we achieved organic loan book growth of 18% to £3.4 billion (31 July 2010: £2.9 billion), whilst maintaining strong margins. This growth was driven by good levels of new business across our lending businesses, supported by ongoing high levels of repeat business.

The operating environment for the division remains favourable and we continue to see opportunities to increase lending to both individual and SME borrowers. We continue to benefit from our enhanced sales capacity, with an over 20% increase in front line sales staff in the last two years, as well as broader distribution. This includes additional dealer relationships in motor finance; the addition of new branches in motor and property finance and increased leverage of the broker network in asset finance. We continue to see good opportunities for growth in our core markets and our priority remains to continue to grow in these areas.

At the same time we are selectively exploring opportunities for growth in adjacent product areas that are consistent with our existing lending model and conservative risk appetite. In Commercial, we have continued to build our presence in larger ticket invoice finance following our acquisition of a loan book last year. We are also expanding our asset finance business into complementary asset classes. In Retail, the motor finance business continues to see significant growth through the Key Accounts team, which deals directly with larger dealerships and franchises.

We continue to invest in the infrastructure of the division to support current and future growth through enhancing the strength of its central functions, including the integration of IT, human resources and procurement functions. At the same time we are streamlining our processes to improve the efficiency of our operations and increase the operating leverage of the business over time.

As we continue to grow our business we remain acutely focused on maintaining a prudent risk profile, and we continue to apply strict criteria to lending decisions. During the year we commenced the development of a new credit risk management information system which will further enhance our ability to monitor and analyse credit risk across our lending businesses. In addition to the underwriting expertise and experience of our people, this new system will help us monitor the credit metrics that underpin our lending decisions throughout the economic cycle.

In the **Securities** division, our focus is on maintaining and building on our leading market positions, whilst continuing to explore opportunities for growth.

Winterflood has maintained its position as a leading market-maker to the UK retail broker community, making markets in over 3,000 UK equities and providing dealing services in over 10,000 securities.

Winterflood has demonstrated the resilience of its business model and ability to manage a wide range of trading conditions in a volatile period for the financial markets. The business had a particularly strong performance in the second and third quarters, which were characterised by high levels of AIM trading;

Chairman's and Chief Executive's Statement continued

however retail trading activity slowed considerably towards the end of the financial year. Overall, average bargains per day increased 2% to a new high of 48,000, whilst income per bargain reduced 7% reflecting the more challenging trading conditions towards the end of the year. Adjusted operating profit reduced 11% to £43.2 million (2010: £48.7 million) compared to a strong prior year.

Although market activity slowed in the fourth quarter, the business has continued to generate consistent profitability recording only one (2010: four) loss day for the year.

Winterflood continues to pursue selected opportunities to leverage its existing business model outside its core markets. During the year, Winterflood has established a new company which has applied for broker dealer status in the US, which will allow it to access order flow in UK and European shares directly from US institutions and broker dealers. It has also expanded its service offering in the UK to include outsourced execution and custody services through a new business unit, Winterflood Business Services.

Seydler remains well positioned in the German market and increased profits in the year to £9.0 million (2010: £4.9 million), benefiting from a particularly good performance from its equity and debt capital markets businesses.

On 16 September 2011 we announced the phased sale of our 49.9% investment in Mako to the management team for a total consideration of US$40 million, with a potential further US$7.5 million deferred contingent consideration. The sale of the first tranche is expected to complete in the next few months. The sale reflects our focus on developing our core businesses where we have full control. Given the nature of its business, Mako has a more volatile earnings profile and contributed £2.6 million (2010: £5.7 million) of associate income in our 2011 financial year.

In the **Asset Management** division, we are building a leading wealth and asset management business in the UK, focused on affluent and high net worth individuals as well as smaller institutions. We will provide an integrated range of advisory, execution only and investment management services.

The division is undergoing a significant transformation and during the year we disposed of a number of non-core businesses including the property funds business and the fund administration, trust, banking and asset management businesses in the UK offshore and Cayman Islands. These disposals realised around £45 million of proceeds which are being reinvested in the division, and allow us to focus existing resources on our core businesses.

At the same time, we have seen significant opportunity to make focused acquisitions in order to build scale in clients and assets, extend our existing distribution capacity and provide additional expertise.

During the year we acquired £2.6 billion of Assets under Management ("AuM") via three acquisitions:

- Chartwell, an IFA based in Bristol with £705 million of advised and execution only client assets
- Allenbridge, an execution only business with £440 million of client assets; and
- Cavanagh, an IFA with £1.5 billion of client assets

These acquisitions have increased our Private Clients AuM to £6.5 billion at 31 July 2011 (31 July 2010: £3.3 billion), which represents 68% (31 July 2010: 48%) of total AuM. They also provided us with additional distribution capacity through increasing our adviser force from 50 to over 120 and adding a number of new regional offices including in Scotland and in the South East and South West of England. We continue to selectively review additional acquisition opportunities and in total, we plan to acquire a further £1 to 2 billion of client assets during the course of the 2012 financial year.

During the year we have made significant progress in defining our client propositions for advisory, execution only and investment management services, and we are well advanced in developing a client portal and technology platform to meet the needs of both execution only and advised clients.

Chairman's and Chief Executive's Statement continued

The execution only application is currently undergoing live user testing and we expect to commence the commercial rollout of both the execution only and advice applications towards the end of the calendar year. Overall, we continue to expect to invest a total of £18 to 20 million in the development of the client propositions and technology platform in the three financial years to July 2012, of which £15 million has been incurred to date.

We are leveraging our existing investment management capability to offer a set of consistent investment propositions for a wide range of client types and sizes. During the period we launched a range of in-house managed risk-graded funds, which now account for around £1 billion of our Private Client AuM. These will be supplemented by a range of multi-manager and passive investment funds due to be launched in October this year.

We are now entering the final stage of the division's transformation. This will include the substantial completion of our acquisition programme; integration of acquisitions already made; concluding the development of and rolling out our execution only and advisory technology platform and applications; the introduction of a common advice proposition for new clients; and the migration of relevant existing clients into the new propositions. These are the building blocks for a high growth, profitable business in the long term.

Board Changes

Geoffrey Howe was appointed as an independent non-executive director of Close Brothers Group plc with effect from 4 January 2011. He is currently chairman of Nationwide Building Society and Jardine Lloyd Thompson Group plc.

Outlook

The group remains focused on developing and growing its core businesses in Banking, Securities and Asset Management.

The **Banking** division continues to see good opportunities for growth across its businesses.

The **Securities** division is currently experiencing difficult market conditions but remains well positioned.

The **Asset Management** division is now entering the final stage of its transformation with the aim of becoming a leading UK wealth and asset manager, and expects to deliver a small loss for the 2012 financial year.

Economic and market conditions are uncertain, but we have a strong financial position, continue to see good prospects for our businesses, and are well placed to continue delivering solid results.

FINANCIAL REVIEW

Overview

Group Income Statement

	2011 £ million	2010 £ million	Change %
Continuing operations[1]			
Adjusted operating income	**548.5**	495.3	11
Adjusted operating expenses	**(352.1)**	(315.4)	12
Impairment losses on loans and advances	**(65.2)**	(63.4)	3
Adjusted operating profit	**131.2**	116.5	13
Exceptional items	**(46.9)**	(15.0)	
Goodwill impairment	**(3.7)**	-	
Amortisation of intangible assets on acquisition	**(2.1)**	(0.5)	
Operating profit before tax	**78.5**	101.0	(22)
Tax	**(35.1)**	(32.8)	7
Non-controlling interests	**(0.7)**	(0.3)	
Profit attributable to shareholders: continuing operations	**42.7**	67.9	(37)
Loss from discontinued operations	**(27.6)**	(1.7)	
Non-controlling interests: discontinued operations	**(0.5)**	(0.3)	
Profit attributable to shareholders: continuing and discontinued operations	**14.6**	65.9	(78)
Adjusted earnings per share: continuing operations	**64.8p**	58.2p	11
Basic earnings per share: continuing operations	**29.6p**	47.4p	(38)
Basic earnings per share: continuing and discontinued operations	**10.1p**	46.0p	(78)
Ordinary dividend per share[2]	**40.0p**	39.0p	3

[1]Results from continuing operations for 2011 and 2010 exclude the UK offshore and Cayman Islands businesses, the sales of which completed during the period and which have been classified as discontinued operations under IFRS 5.
[2]Represents the final dividend proposed for the respective years together with the interim dividend declared and paid in those years.
Note: Adjusted operating income, expenses, operating profit and adjusted earnings per share exclude exceptional items, goodwill impairment, and amortisation of intangible assets on acquisition.

Operational Performance – Continuing Operations

Close Brothers Group plc ("Close Brothers") has performed well overall for the 2011 financial year with adjusted operating profit increasing 13% to £131.2 million (2010: £116.5 million). The Banking division in particular had a strong result with a 34% increase in adjusted operating profit to £106.3 million (2010: £79.5 million). The Securities division delivered a solid performance overall although adjusted operating profit declined 8% to £54.8 million (2010: £59.3 million) compared to a strong prior year. The Asset Management division remains in a period of restructuring and investment and as a result delivered an adjusted operating loss as expected of £8.6 million (2010: loss of £1.5 million).

Overall, adjusted operating income increased 11%, or £53.2 million, to £548.5 million (2010: £495.3 million) due to strong income growth in the Banking division. Whilst income also increased in the Asset Management division, this was offset by lower income in Securities.

Adjusted operating expenses increased 12% to £352.1 million (2010: £315.4 million) predominantly reflecting investment in sales and operations as well as higher variable costs in the Banking division. Expenses in the Asset Management division increased as a result of acquisitions and investment related to its strategic refocusing, whilst in the Securities division they remained broadly stable. Group expenses from central functions were stable at £21.3 million (2010: £21.3 million).

The bad debt ratio reduced to 2.1% (2010: 2.4%), driven by Commercial as it benefited from an improvement in the credit quality of its lending overall. As a result, impairment losses on loans and

Overview continued

advances were only slightly higher at £65.2 million (2010: £63.4 million) despite very strong growth in the loan book.

Divisional Adjusted Operating Profit (Continuing Operations)

	2011		2010		Change
	£ million	**%**	£ million	%	%
Banking	**106.3**	**70**	79.5	58	34
Securities	**54.8**	**36**	59.3	43	(8)
Asset Management	**(8.6)**	**(6)**	(1.5)	(1)	
Total divisions	**152.5**	**100**	137.3	100	11
Group	**(21.3)**		(20.8)		2
Adjusted operating profit	**131.2**		116.5		13

Exceptional Items and Discontinued Operations

During the year the group has made significant progress on its strategic refocusing, in particular in the Asset Management division. As part of this, the group has made several disposals of non-core businesses including the sale of its UK offshore and Cayman Islands operations, completed a number of acquisitions in the Asset Management division and, after the year end, agreed the sale of its investment in Mako.

As a result of these actions, the group recorded a net exceptional charge of £46.9 million (2010: £15.0 million) in the year. This included a £36.0 million impairment of the group's investment in Mako following the recently announced sale agreement and £15.4 million related to the restructuring and repositioning of the Asset Management division including costs related to acquisitions and disposals, severance payments and other restructuring costs. This was partly offset by a £4.5 million gain from the sale of the group's investment in Pelagus, Mako's fixed income fund. The prior year period included an exceptional charge of £15.0 million related to an impairment on investment assets.

The group also incurred a goodwill impairment charge of £3.7 million (2010: £nil) in the Institutional business in Asset Management and a charge for amortisation of intangible assets on acquisition of £2.1 million (2010: £0.5 million).

Operating profit before tax on continuing operations, which is reported after exceptional items, goodwill impairment and amortisation of intangible assets on acquisition, was £78.5 million (2010: £101.0 million).

The tax charge on operating profit before tax was £35.1 million (2010: £32.8 million) which corresponds to an effective tax rate of 45% (2010: 32%). This includes a 17% impact of £46.4 million of non tax-deductible exceptional items and goodwill impairment. Excluding these, the underlying tax rate was 28% (2010: 28%). This is slightly higher than the average UK corporation tax rate for the year of 27.3% (2010: 28.0%).

Basic earnings per share from continuing operations, after exceptional items, was 29.6p (2010: 47.4p).

Discontinued operations include the group's businesses in the UK offshore and Cayman Islands, which were sold during the year. The overall loss from discontinued operations after tax and non-controlling interests was £28.1 million (2010: loss of £2.0 million), including £2.0 million adjusted operating profit from the businesses.

Profit attributable to shareholders from continuing and discontinued operations declined to £14.6 million (2010: £65.9 million) and basic earnings per share from continuing and discontinued operations reduced to 10.1p (2010: 46.0p).

FINANCIAL REVIEW

Overview continued

Dividend

The board is recommending an increase of 1.0p in the final dividend to 26.5p (2010: 25.5p), resulting in a 3% increase in the total dividend for the year to 40.0p (2010: 39.0p). The final dividend will be paid on 22 November 2011 to shareholders on the register at 14 October 2011.

Balance Sheet

Group Balance Sheet

	31 July 2011 £ million	31 July 2010 £ million
Assets		
Cash and loans and advances to banks	**709.3**	611.2
Settlement balances, long trading positions and loans to money brokers[1]	**706.9**	713.3
Loans and advances to customers	**3,435.3**	2,912.6
Non-trading debt securities	**810.2**	1,582.1
Intangible assets	**133.1**	107.5
Other assets	**313.8**	332.9
Total assets	**6,108.6**	6,259.6
Liabilities		
Settlement balances, short trading positions and loans from money brokers	**585.4**	597.8
Deposits by banks	**192.8**	48.1
Deposits by customers	**3,170.5**	3,115.5
Borrowings	**1,125.7**	1,472.0
Other liabilities	**305.9**	271.8
Total liabilities	**5,380.3**	5,505.2
Equity	**728.3**	754.4
Total liabilities and equity	**6,108.6**	6,259.6

[1]Includes £42.6 million (31 July 2010: £54.1 million) long trading positions in debt securities.

The group's balance sheet has remained strong in the year and total assets at 31 July 2011 were £6,108.6 million (31 July 2010: £6,259.6 million). The group has continued to focus on improving balance sheet efficiency and as a result total assets and liabilities reduced slightly. This reflects the group's continued efforts to manage down its lower yielding portfolio of debt securities, whilst delivering strong loan book growth in the period.

Cash and loans and advances to banks increased £98.1 million to £709.3 million (31 July 2010: £611.2 million). This reflects an increased holding of higher quality liquid assets in the form of cash on deposit at the Bank of England which increased to £594.4 million (31 July 2010: £452.6 million).

Settlement balances, long and short trading positions and loans to and from money brokers relate to the group's market-making activities in the Securities division. The net position was broadly stable at £121.5 million (31 July 2010: £115.5 million). On the asset side of the balance sheet, these were £706.9 million (31 July 2010: £713.3 million) and on the liability side, they were £585.4 million (31 July 2010: £597.8 million), both broadly in line with the prior year.

Loans and advances to customers increased 18% to £3,435.3 million (31 July 2010: £2,912.6 million) reflecting strong growth across both Retail and Commercial within the Banking division. The group's loan assets are predominantly secured on high quality collateral and short-term, with an average maturity of 13 months (31 July 2010: 12 months) at the balance sheet date.

Overview continued

Non-trading debt securities relate to the group's holding of treasury assets and comprise floating rate notes ("FRNs"), certificates of deposits ("CDs") and gilts and government guaranteed debt ("GGDs"). These reduced significantly over the year to £810.2 million (31 July 2010: £1,582.1 million) as the group continues to actively manage down its holding of lower yielding assets.

Within debt securities, FRNs reduced to £296.9 million (31 July 2010: £624.4 million) principally reflecting £274.0 million of sales and £55.0 million of maturities in the year. The remaining portfolio at 31 July 2011 consisted of UK and international bank FRNs with an average residual maturity of 15 months and are recorded on the balance sheet net of an aggregate negative mark to market adjustment against equity of £11.8 million (31 July 2010: £17.6 million). CDs declined to £284.5 million (31 July 2010: £672.1 million) as those that matured were reinvested in the loan book whilst GGDs declined to £228.8 million (31 July 2010: £285.6 million) reflecting maturities in the year.

The group does not hold sovereign debt issued by Greece, Ireland, Italy, Portugal, or Spain and its exposure to financial institutions in these countries is limited to FRNs with a face value of £94.6 million issued by Allied Irish Bank and Bank of Ireland with an average maturity of eight months.

Intangible assets at 31 July 2011 were £133.1 million (31 July 2010: £107.5 million), an increase of £25.6 million. This principally reflects the addition of £58.2 million goodwill and intangible assets associated with the acquisitions of Chartwell, Allenbridge and Cavanagh in the Asset Management division, partly offset by a reduction in goodwill of £27.7 million related to the sales of the UK offshore and Cayman Islands businesses.

Deposits by customers increased marginally to £3,170.5 million (31 July 2010: £3,115.5 million) due to £399.7 million of organic growth in both retail and corporate deposits and the acquisition of a £300.5 million retail structured deposit book from Dunbar Bank. This was largely offset by a reduction of £645.2 million customer deposits from the sale of the UK offshore and Cayman Islands businesses. Of these, £131.0 million remained on deposit with Close Brothers at the balance sheet date and were included in deposits by banks, which accordingly increased to £192.8 million (31 July 2010: £48.1 million).

Total borrowings were £1,125.7 million (31 July 2010: £1,472.0 million) and include loans and overdrafts from banks, a group bond, a securitisation on the premium finance loan book, and subordinated loan capital. The reduction in the year reflects the increased efficiency of the group's management of its balance sheet and lower draw down on available funding.

Total equity at 31 July 2011 was £728.3 million (31 July 2010: £754.4 million). This was a decrease on the prior year as dividend payments of £55.7 million more than offset the profit attributable to shareholders of £14.6 million, a £6.4 million increase attributable to shares released from the Employee Share Ownership Trust ("ESOT") and treasury, and £7.1 million related to shares issued as a result of the Cavanagh acquisition.

Shares held in treasury declined to 4.5 million (31 July 2010: 4.8 million) at 31 July 2011 as a result of the exercise of options and share awards in the year. Shares held in the ESOT at 31 July 2011 reduced to 1.7 million (31 July 2010: 2.3 million).

Funding and Liquidity

The focus of the group's Treasury function is on efficient funding of the loan book whilst maintaining an appropriate level of liquidity. During the year, the group has maintained a strong funding position whilst increasing the diversity of its funding sources and strengthening its maturity profile. The group is confident that its current funding position and access to a diverse range of funding sources provide the flexibility necessary to meet current cash flow requirements and pursue longer-term growth opportunities.

Overview continued

At 31 July 2011, the group had total available funding of £5,402.0 million (31 July 2010: £5,555.2 million) including drawn and undrawn facilities; a group bond; customer deposits; and equity. The overall level of funding significantly exceeded loans, corresponding to 1.6 times (31 July 2010: 1.9 times) the loan book of £3,435.3 million (31 July 2010: £2,912.6 million).

Group Funding Overview

	31 July 2011 £ million	31 July 2010 £ million	Change £ million
Drawn and undrawn facilities[1]	**1,305.1**	1,487.5	(182.4)
Group bond	**198.1**	197.8	0.3
Deposits by customers	**3,170.5**	3,115.5	55.0
Equity	**728.3**	754.4	(26.1)
Total available funding	**5,402.0**	5,555.2	(153.2)

[1]Includes £410.2 million (31 July 2010: £227.0 million) of undrawn facilities and excludes £32.7 million (31 July 2010: £13.7 million) of non-facility overdrafts included in borrowings.

During the year the group has further diversified its wholesale funding sources, raising £1.0 billion through a securitisation on the premium finance loan book, a two and a half year term syndicated facility and a repurchase agreement secured on the FRN portfolio, all of which replaced funding that matured in the first half of the year. After the balance sheet date, the group has agreed £250 million of wholesale funding through a two year committed securitisation of its motor finance loan book.

The group's total customer deposits increased slightly overall to £3,170.5 million at 31 July 2011 (31 July 2010: £3,115.5 million), notwithstanding a reduction of £645.2 million related to the sale of the group's UK offshore and Cayman Islands businesses. The group has raised a net £399.7 million of new deposits during the year, including both additional term retail deposits and longer maturity corporate deposits. In July the group also completed the acquisition of a £300.5 million book of longer-term retail structured deposits, further diversifying its retail deposit base.

The group is committed to maintaining a prudent maturity profile, and overall has increased its term funding during the year. At 31 July 2011 term funding with a residual maturity over one year had increased to £2,460.6 million (31 July 2010: £1,557.6 million) and covered 72% (31 July 2010: 53%) of the loan book. This included a substantial increase in term deposits to £1,016.9 million (31 July 2010: £244.6 million). The group's term funding had a weighted average maturity, excluding equity, of 36 months (31 July 2010: 48 months) which significantly exceeds the average maturity of the loan book of 13 months (31 July 2010: 12 months).

Group Funding Maturity Profile

	Less than one year £ million	One to two years £ million	Greater than two years £ million	Total £ million
Drawn and undrawn facilities[1]	787.8	424.1	93.2	1,305.1
Group bond	-	-	198.1	198.1
Deposits by customers	2,153.6	558.7	458.2	3,170.5
Equity	-	-	728.3	728.3
Total available funding at 31 July 2011	**2,941.4**	**982.8**	**1,477.8**	**5,402.0**
Total available funding at 31 July 2010	3,997.6	431.4	1,126.2	5,555.2

[1] Includes £410.2 million (31 July 2010: £227.0 million) of undrawn facilities and excludes £32.7 million (31 July 2010: £13.7 million) of non-facility overdrafts included in borrowings.

FINANCIAL REVIEW

Overview continued

The group has a robust liquidity framework with policies in place to ensure it meets short and long term cash flow needs as well as satisfying any external regulatory requirements. Whilst increasing its balance sheet efficiency during the year, the group has maintained a sound level of liquidity which is appropriate in relation to the group's cash flow needs and the current market environment.

At 31 July 2011, the group had £1,404.6 million (31 July 2010: £2,034.7 million) of treasury assets, of which £1,107.7 million (31 July 2010: £1,410.3 million) were classified as liquid assets. The group's short-term liquidity needs are principally met through deposits with the Bank of England, which at 31 July 2011 amounted to £594.4 million (31 July 2010: £452.6 million). The group also held £228.8 million (31 July 2010: £285.6 million) of GGDs and £284.5 million (31 July 2010: £672.1 million) of CDs. The reduction in CDs during the year reflects the redeployment of funds from maturing CDs into the higher yielding loan book.

The group's treasury assets also include its portfolio of FRNs, which is actively being managed down in favour of higher yielding loan book assets, and accordingly reduced £327.5 million to £296.9 million (31 July 2010: £624.4 million).

Treasury Assets

	31 July 2011 £ million	31 July 2010 £ million	Change £ million
Gilts and government guaranteed debt[1]	**228.8**	285.6	(56.8)
Bank of England deposits	**594.4**	452.6	141.8
Certificates of deposit	**284.5**	672.1	(387.6)
Liquid assets	**1,107.7**	1,410.3	(302.6)
Floating rate notes	**296.9**	624.4	(327.5)
Treasury assets	**1,404.6**	2,034.7	(630.1)

[1]Includes £228.8 million (31 July 2010: £260.4 million) gilts and £nil (31 July 2010: £25.2 million) government guaranteed debt.

The credit ratings for Close Brothers Group plc, issued by Fitch Ratings ("Fitch") and Moody's Investors Services ("Moody's") have been reaffirmed at A/F1 and A3/P2 respectively in the year. Close Brothers Limited ("CBL"), the group's regulated banking subsidiary, has credit ratings of A/F1 by Fitch and A2/P1 by Moody's. In the year, the outlooks for both Close Brothers Group plc and CBL were upgraded to stable by Fitch whilst Moody's remained unchanged with negative outlooks.

Capital

Group Capital Position

	31 July 2011 £ million	31 July 2010 £ million
Core tier 1 capital	**588.5**	603.3
Total regulatory capital	**669.1**	683.8
Risk weighted assets	**4,493.0**	4,338.7
Core tier 1 capital ratio	**13.1%**	13.9%
Total capital ratio	**14.9%**	15.8%

The group has maintained a strong capital position, with a core tier 1 capital ratio at 31 July 2011 of 13.1% (31 July 2010: 13.9%) and a total capital ratio of 14.9% (31 July 2010: 15.8%). During the year the group has continued as planned to employ capital into loan book growth and acquisitions in the Asset Management division.

Overview continued

Core tier 1 capital slightly decreased in the year to £588.5 million (31 July 2010: £603.3 million). This reflects a reduction in retained earnings, which was partly offset by an overall reduction in deductions for intangible assets and goodwill in associates.

The group's risk weighted assets increased £154.3 million, or 4%, to £4,493.0 million (31 July 2010: £4,338.7 million). This reflects strong growth in the loan book, which was partly offset by lower holdings of debt securities and a lower assessment of the group's operational risk.

CBL increased its core tier 1 capital ratio to 11.4% at 31 July 2011 (31 July 2010: 10.8%) which gives it the flexibility to support future growth.

The group does not currently expect to be materially impacted by the proposed changes under the Basel III regime, given that its capital ratios are already comfortably above the proposed new regulatory minimum and it does not have complex trading book exposures. The group continues to monitor any changes to capital requirements by UK and international regulators.

The group's policy is to maintain a strong capital ratio to support the development of its businesses and ensure it meets regulatory requirements at all times. As the group continues selectively to pursue growth in the Banking division and completes its acquisition programme in the Asset Management division, the capital ratio may continue to moderate. The group will continue to manage its capital position prudently to ensure it maintains a sound capital position and retains the flexibility to execute current growth plans and pursue any future growth opportunities.

Key Financial Ratios ("KFRs")

The group's return on opening equity improved to 13% (2010: 12%) reflecting higher profitability in the Banking division. The expense/income ratio was unchanged at 64% (2010: 64%) although the operating margin increased slightly benefiting from lower bad debts in the Banking division. The compensation ratio was stable at 40% (2010: 40%).

Group Key Financial Ratios

	2011	2010
Operating margin[1]	**24%**	23%
Expense/income ratio[2]	**64%**	64%
Compensation ratio[3]	**40%**	40%
Return on opening equity[4]	**13%**	12%

[1] Adjusted operating profit on adjusted operating income.

[2] Adjusted operating expenses on adjusted operating income.

[3] Total staff costs excluding exceptional items on adjusted operating income.

[4] Adjusted operating profit after tax and non-controlling interests on opening equity.

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

BUSINESS REVIEW

Banking

- 34% increase in adjusted operating profit to £106.3 million
- 18% loan book growth to £3.4 billion
- Bad debt ratio improved to 2.1%
- Return on opening equity increased to 21%

Key Figures

	2011 £ million	2010 £ million	Change %
Adjusted operating income	**326.0**	272.0	20
Net interest and fees on loan book	**312.3**	255.6	22
Retail	**128.8**	104.9	23
Commercial	**140.6**	114.2	23
Property	**42.9**	36.5	18
Treasury and other non-lending income	**13.7**	16.4	(16)
Adjusted operating expenses	**(154.5)**	(129.1)	20
Impairment losses on loans and advances	**(65.2)**	(63.4)	3
Adjusted operating profit	**106.3**	79.5	34
Net interest margin[1]	**9.8%**	9.7%	
Bad debt ratio[2]	**2.1%**	2.4%	
Closing loan book	**3,435.3**	2,912.6	18

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

The Banking division delivered a strong performance during the year with good growth across its lending businesses. Adjusted operating profit increased 34% to £106.3 million (2010: £79.5 million) reflecting strong loan book growth, maintained strong margins and an improved bad debt ratio.

Adjusted operating income increased 20% to £326.0 million (2010: £272.0 million) reflecting an increase in net interest and fees on the loan book of 22% to £312.3 million (2010: £255.6 million). This growth was driven by a 20% increase in the average loan book over the year to £3,174.0 million (2010: £2,638.8 million) with a maintained strong net interest margin of 9.8% (2010: 9.7%). Treasury and other non-lending income declined to £13.7 million (2010: £16.4 million) as a result of the managed reduction in the group's treasury asset portfolio.

Total operating expenses increased £25.4 million, or 20%, to £154.5 million (2010: £129.1 million). Over half of this increase related to investment in front-line sales capacity and strengthening of central functions to sustain and support the growth of its business. This included new sales heads, particularly in asset finance and motor finance; and an increase in resources in finance, IT, credit, legal and compliance. The remaining cost increase was driven by higher variable costs, such as compensation, reflecting strong business performance in the year.

The bad debt ratio reduced to 2.1% (2010: 2.4%), driven by Commercial as it benefited from an improved quality of its loan book overall, whilst Retail remained at low levels and Property was impacted by an impairment on a legacy loan in the first quarter. As a result, the charge for impairment losses on loans and advances was only slightly higher at £65.2 million (2010: £63.4 million) despite strong loan book growth.

As a result of the lower bad debt ratio, the operating margin increased to 33% (2010: 29%) and the return on opening equity improved to 21% (2010: 20%).

Banking continued

In the year to 31 July 2011, the loan book increased 18%, or £522.7 million, to £3,435.3 million (31 July 2010: £2,912.6 million) reflecting continued strong demand across all lending businesses.

Loan Book Analysis

	31 July 2011 £ million	31 July 2010 £ million	Change %
Retail	**1,481.5**	1,201.9	23
Premium finance	**610.7**	553.6	10
Motor finance	**870.8**	648.3	34
Commercial	**1,390.7**	1,162.9	20
Invoice finance	**311.5**	262.1	19
Asset finance	**1,079.2**	900.8	20
Property	**563.1**	547.8	3
Closing loan book	**3,435.3**	2,912.6	18

The Retail loan book increased 23% to £1,481.5 million (31 July 2010: £1,201.9 million) corresponding to a 22% increase in the average loan book. This was achieved whilst maintaining strong margins, resulting in a 23% increase in income to £128.8 million (2010: £104.9 million). Loan book growth in premium finance was largely through increased new business volumes from existing brokers in personal insurance. Motor finance has extended its branch and dealer network, and achieved high new business volumes in both its core used car financing and its recently established Key Accounts business, which deals directly with larger dealerships and franchises.

The Commercial loan book increased 20% to £1,390.7 million (31 July 2010: £1,162.9 million) with strong growth in both invoice finance and asset finance. The average loan book increased 25% leading to an increase in income of 23% to £140.6 million (2010: £114.2 million). Asset finance has seen strong demand across both existing and new asset classes. Invoice finance loan book growth was driven by increased lending to both existing clients and new customers.

The Property loan book increased 3% in the year to £563.1 million (31 July 2010: £547.8 million) principally reflecting strong growth in short-term lending. The core, residential development financing business continues to focus on improving the quality of the loan book by selectively lending to high quality customers, whilst managing down its older originated loans. The average loan book increased 7% and income increased 18% to £42.9 million (2010: £36.5 million) largely reflecting higher fees generated from repayments and new committed loans.

Banking Key Financial Ratios

	2011	2010
Operating margin	**33%**	29%
Expense/income ratio	**47%**	47%
Compensation ratio	**27%**	26%
Return on opening equity	**21%**	20%
Return on net loan book[1]	**3.3%**	3.0%

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

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

BUSINESS REVIEW

Securities

- Adjusted operating profit down 8% to £54.8 million
- Winterflood average bargains per trading day up 2% to 48,000
- Seydler adjusted operating profit increased to £9.0 million
- Associate income from Mako reduced to £2.6 million

Key Figures

	2011 £ million	2010 £ million	Change %
Adjusted operating income	**158.7**	162.2	(2)
Adjusted operating expenses	**(103.9)**	(102.9)	1
Adjusted operating profit	**54.8**	59.3	(8)
Winterflood	**43.2**	48.7	(11)
Seydler	**9.0**	4.9	84
Mako (associate income after tax)	**2.6**	5.7	(54)

The Securities division has benefited from strong markets for much of the year and although conditions slowed significantly in the fourth quarter, the division delivered a solid performance. Overall, adjusted operating profit was £54.8 million (2010: £59.3 million), down 8% relative to a strong prior year. Whilst Winterflood delivered a resilient performance, Seydler had a strong result, particularly benefiting from increased capital markets activity, although Mako's contribution was significantly below the prior year.

Adjusted operating income declined 2% to £158.7 million (2010: £162.2 million) principally reflecting lower income from Winterflood, and as a result the expense/income ratio increased slightly to 67% (2010: 66%) and the operating margin reduced to 33% (2010: 34%).

After the year end the group has agreed the sale of its 49.9% investment in Mako via a series of purchases over several years. The first of these is expected to complete in the next few months and will reduce the group's investment to 33.3%.

Key Winterflood Figures

	2011 £ million	2010 £ million	Change %
Adjusted operating income	**124.5**	131.6	(5)
Adjusted operating expenses	**(81.3)**	(82.9)	(2)
Adjusted operating profit	**43.2**	48.7	(11)
Number of bargains (million)	**12.0**	11.8	2
Average bargains per trading day	**47,742**	46,730	2
Income per bargain	**£10.39**	£11.18	(7)

Winterflood's performance benefited from strong retail investor demand, particularly in the second and third quarters of the year which were characterised by high levels of retail trading on AIM. However conditions weakened at the end of the financial year as volatile markets reduced risk appetites amongst retail investors. Overall, Winterflood delivered adjusted operating income of £124.5 million (2010: £131.6 million), a 5% decline. The total number of bargains traded in the year increased 2% to 12.0 million (2010: 11.8 million), corresponding to a 2% increase in average bargains per trading day to 47,742 (2010: 46,730), whilst income per bargain reduced 7% to £10.39 (2010: £11.18), reflecting the more challenging trading conditions towards the end of the year.

Adjusted operating expenses declined 2% to £81.3 million (2010: £82.9 million) as variable costs reduced. Overall, adjusted operating profit decreased 11% to £43.2 million (2010: £48.7 million).

Despite variable market conditions in the year, Winterflood demonstrated its resilience with only one loss day (2010: four loss days) out of a total 251 (2010: 252) trading days.

BUSINESS REVIEW

Securities continued

Key Seydler Figures

	2011 £ million	2010 £ million	Change %
Adjusted operating income	**31.6**	24.9	27
Adjusted operating expenses	**(22.6)**	(20.0)	13
Adjusted operating profit	**9.0**	4.9	84

Seydler delivered a strong result for the year as it benefited from increased capital markets activity in Germany. Adjusted operating income increased 27% to £31.6 million (2010: £24.9 million), with particularly good growth in equity and debt capital markets and institutional equity sales. The performance in its designated sponsoring and specialist floor equities businesses remained resilient. Adjusted operating expenses increased 13% to £22.6 million (2010: £20.0 million) reflecting higher activity levels and as a result adjusted operating profit increased 84% to £9.0 million (2010: £4.9 million). There was no material foreign exchange impact given a relatively stable euro exchange rate.

Key Mako Figures

	2011 £ million	2010 £ million	Change %
Adjusted operating profit[1]	**3.8**	8.2	(54)
Tax on adjusted operating profit[1]	**(1.2)**	(2.5)	(52)
Profit after tax[1]	**2.6**	5.7	(54)

[1] Close Brothers share of result.

The group recorded £2.6 million (2010: £5.7 million) of after tax associate income from its 49.9% investment in Mako, a 54% decline on the prior year reflecting quiet markets with low volumes and low volatility for most of the year.

Securities Key Financial Ratios

	2011	2010
Operating margin	**33%**	34%
Expense/income ratio	**67%**	66%
Compensation ratio	**45%**	45%
Return on opening equity	**39%**	39%

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

BUSINESS REVIEW

Asset Management

- AuM up 39% to £9.6 billion and Private Clients AuM up 96% to £6.5 billion
- Private Clients net new funds 8% of opening AuM
- 19% increase in management fees on AuM
- Non-recurring investment drives full year loss of £8.6 million

Key Figures (Continuing Operations)[1]

	2011 £ million	2010 £ million	Change %
Adjusted operating income	**63.8**	60.6	5
Management fees on AuM	**57.3**	48.1	19
Other income[2]	**6.5**	12.5	(48)
Adjusted operating expenses	**(72.4)**	(62.1)	17
Adjusted operating loss	**(8.6)**	(1.5)	
Management fees/average AuM (bps)	**70**	73	
Closing AuM	**9,558**	6,881	39

[1]Excludes the Assets under Management ("AuM") and operating result for the UK offshore and Cayman businesses, the sales of which completed during the financial year and which are classified as discontinued operations under IFRS 5.

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

The Asset Management division has made significant progress on its restructuring and refocusing during the year. In June 2011, it completed the sale of its non-core UK offshore and Cayman Islands businesses, which have been classified as discontinued operations under IFRS 5 and are excluded from the Income Statement and AuM in this Business Review section for 2011 and 2010. It has also completed several acquisitions which contributed to an increase in Private Clients AuM to £6.5 billion (31 July 2010: £3.3 billion). As expected, the division delivered a loss of £8.6 million (2010: loss of £1.5 million) for the year reflecting its investment in developing its new client propositions and technology platform.

Adjusted operating income increased 5% overall to £63.8 million (2010: £60.6 million), as higher management fees on AuM were partly offset by lower other income.

Management fees on AuM increased 19% to £57.3 million (2010: £48.1 million), reflecting a 24% increase in average AuM to £8.2 billion (2010: £6.6 billion) driven largely by acquisitions. The division's overall management fees/average AuM ("the revenue margin") reduced slightly to 70 bps (2010: 73 bps), reflecting the limited revenue contribution from acquisitions made late in the period. The group estimates that the underlying revenue margin on its Private Clients assets, including businesses acquired during the year, was around 93 bps.

The division recorded other income of £6.5 million (2010: £12.5 million). As in the prior year, this principally includes income from the group's residual interest in its former private equity operations.

Adjusted operating expenses increased 17% to £72.4 million (2010: £62.1 million). This includes £6.9 million in respect of the partial year cost base of businesses acquired during the period. Adjusted operating expenses also included £8 million (2010: £6 million) of costs in respect of non-recurring investment in the development of the division's client propositions and technology platform. The division continues to expect the total non-recurring investment in this initiative to amount to £18 to 20 million, of which £15 million has been incurred to date.

Asset Management

Assets under Management

	Private Clients £ million	Institutional £ million	Total £ million
At 1 August 2010	3,324	3,557	6,881
New funds raised	526	496	1,022
Redemptions, realisations and withdrawals	(277)	(699)	(976)
Net new funds	249	(203)	46
Acquisitions	2,645	-	2,645
Disposals	-	(554)	(554)
Market movement	291	249	540
At 31 July 2011	**6,509**	**3,049**	**9,558**
Change	96%	(14)%	39%

AuM increased 39%, or £2.7 billion, to £9.6 billion (31 July 2010: £6.9 billion), principally reflecting acquisitions of £2.6 billion in Private Clients, partly offset by the sale of the property funds business in Institutional. The group also benefited from positive market movements of £0.5 billion whilst net new funds were modestly positive overall.

The division's focus is on its Private Clients business, where AuM increased 96% to £6.5 billion (31 July 2010: £3.3 billion) and accounted for 68% (2010: 48%) of total AuM at the year end. This includes £2.6 billion of acquisitions made during the year: Chartwell, with £705 million of advised and execution only assets; Allenbridge, with £440 million of execution only assets; and Cavanagh, with £1.5 billion of advised client assets. Private Clients also achieved net new funds of £249 million, or 8% of opening AuM, through strong new business volumes predominantly from high net worth clients. Positive market movements accounted for a further £291 million increase.

Institutional AuM reduced 14% to £3.0 billion (31 July 2010: £3.6 billion), reflecting the sale of the group's property funds business, with £554 million of AuM. Positive market movements of £249 million were largely offset by net outflows of £203 million. As part of the refocusing of the division, in July 2011 the group agreed the sale of the property investment management business of OLIM, with £383 million of AuM at 31 July 2011, to the management team for a consideration of £3 million. The sale is expected to complete by the end of the calendar year and is not expected to have a material effect on the group's financial statements. In addition, the division expects around £1 billion of AuM currently managed on behalf of a third party institution to be redeemed during the first half of the 2012 financial year.

The aim of the division's investment management process is to deliver consistent long-term growth and risk adjusted returns, whilst managing downside volatility. In the last 12 months market movements increased Private Clients AuM by 9%, in line with the increase of 9% in the APCIMS Balanced Portfolio Index.

Asset Management Key Financial Ratios

	2011	2010
Operating margin	**(13)%**	(2)
Expense/income ratio	**113%**	102
Compensation ratio	**65%**	59
Return on opening equity	**(9)%**	(2)
Private Clients net new funds/opening AuM	**8%**	9%

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

CONSOLIDATED INCOME STATEMENT
for the year ended 31 July 2011

	Note	**2011 £ million**	2010 £ million
Continuing operations			
Interest income		**360.5**	307.9
Interest expense		**(129.6)**	(117.4)
Net interest income		**230.9**	190.5
Fee and commission income		**175.9**	149.5
Fee and commission expense		**(19.2)**	(17.4)
Gains less losses arising from dealing in securities		**132.2**	141.9
Share of profit of associates		**2.6**	5.7
Other income		**26.1**	25.1
Non-interest income		**317.6**	304.8
Operating income		**548.5**	495.3
Administrative expenses		**(352.1)**	(315.4)
Impairment losses on loans and advances	9	**(65.2)**	(63.4)
Total operating expenses before exceptional items, goodwill impairment and amortisation of intangible assets on acquisition		**(417.3)**	(378.8)
Operating profit before exceptional items, goodwill impairment and amortisation of intangible assets on acquisition		**131.2**	116.5
Exceptional items	3	**(46.9)**	(15.0)
Goodwill impairment		**(3.7)**	-
Amortisation of intangible assets on acquisition		**(2.1)**	(0.5)
Operating profit before tax		**78.5**	101.0
Tax	4	**(35.1)**	(32.8)
Profit after tax from continuing operations		**43.4**	68.2
Loss for the period from discontinued operations, net of tax	5	**(27.6)**	(1.7)
Profit for the year		**15.8**	66.5
Profit attributable to non-controlling interests from continuing operations		**0.7**	0.3
Profit attributable to non-controlling interests from discontinued operations		**0.5**	0.3
Profit attributable to the shareholders of the company		**14.6**	65.9
From continuing operations			
Basic earnings per share	7	**29.6p**	47.4p
Diluted earnings per share	7	**29.0p**	46.6p
From continuing and discontinued operations			
Basic earnings per share	7	**10.1p**	46.0p
Diluted earnings per share	7	**9.9p**	45.2p
Interim dividend per share paid	8	**13.5p**	13.5p
Final dividend per share	8	**26.5p**	25.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2011

	2011 £ million	2010 £ million
Profit for the year	**15.8**	66.5
Other comprehensive income from continuing operations		
Currency translation (losses)/gains	**(2.1)**	4.5
Gains on cash flow hedging	**0.6**	6.1
Other losses	**(0.7)**	(3.9)
Gains/(losses) on financial instruments classified as available for sale:		
Gilts and government guaranteed debt	**-**	(0.2)
Floating rate notes	**2.8**	19.0
Equity shares	**(0.2)**	(2.8)
Transfer to income statement on impairment of available for sale equity shares	**-**	15.0
Other comprehensive income for the year, net of tax, from continuing operations	**0.4**	37.7
Other comprehensive income for the year, net of tax, from discontinued operations	**-**	0.1
Total comprehensive income for the year	**16.2**	104.3
Attributable to		
Non-controlling interests	**1.2**	0.6
Shareholders	**15.0**	103.7
	16.2	104.3

CONSOLIDATED BALANCE SHEET
at 31 July 2011

	Note	**2011 £ million**	2010 £ million
Assets			
Cash and balances at central banks		**594.5**	452.7
Settlement balances		**551.1**	541.7
Loans and advances to banks		**114.8**	158.5
Loans and advances to customers	9	**3,435.3**	2,912.6
Debt securities	10	**852.8**	1,636.2
Equity shares	11	**57.1**	59.9
Loans to money brokers against stock advanced		**75.3**	86.0
Derivative financial instruments		**45.2**	23.0
Investments in associates		**33.4**	73.7
Intangible assets	12	**133.1**	107.5
Property, plant and equipment		**62.2**	46.2
Deferred tax assets		**26.7**	32.8
Prepayments, accrued income and other assets		**127.1**	128.8
Total assets		**6,108.6**	6,259.6
Liabilities			
Settlement balances and short positions	14	**521.8**	565.1
Deposits by banks	15	**192.8**	48.1
Deposits by customers	15	**3,170.5**	3,115.5
Loans and overdrafts from banks	15	**502.6**	1,178.4
Debt securities in issue	15	**548.1**	218.6
Loans from money brokers against stock advanced		**63.6**	32.7
Derivative financial instruments		**45.3**	20.5
Accruals, deferred income and other liabilities		**260.6**	251.3
Subordinated loan capital		**75.0**	75.0
Total liabilities		**5,380.3**	5,505.2
Equity			
Called up share capital		**37.6**	37.4
Share premium account		**283.0**	275.9
Profit and loss account		**416.2**	457.3
Other reserves		**(10.4)**	(18.7)
Total shareholders' equity		**726.4**	751.9
Non-controlling interests in equity		**1.9**	2.5
Total equity		**728.3**	754.4
Total liabilities and equity		**6,108.6**	6,259.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2011

				Other reserves						
	Called up share capital £ million	Share premium account £ million	Profit and loss account £ million	Available for sale movements reserve £ million	Share-based reserves £ 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 2009	37.4	274.5	445.7	(35.7)	(37.4)	18.6	(9.7)	693.4	4.3	697.7
Profit for the year	-	-	65.9	-	-	-	-	65.9	0.6	66.5
Other comprehensive income	-	-	(4.4)	31.0	-	5.1	6.1	37.8	-	37.8
Total comprehensive income for the year	-	-	61.5	31.0	-	5.1	6.1	103.7	0.6	104.3
Exercise of options	-	1.4	-	-	-	-	-	1.4	-	1.4
Dividends paid	-	-	(55.5)	-	-	-	-	(55.5)	-	(55.5)
Shares purchased	-	-	-	-	(2.3)	-	-	(2.3)	-	(2.3)
Shares issued	-	-	-	-	-	-	-	-	-	-
Shares released	-	-	-	-	9.5	-	-	9.5	-	9.5
Other movements	-	-	5.6	-	(3.9)	-	-	1.7	(2.4)	(0.7)
At 31 July 2010	37.4	275.9	457.3	(4.7)	(34.1)	23.7	(3.6)	751.9	2.5	754.4
Profit for the year	-	-	14.6	-	-	-	-	14.6	1.2	15.8
Other comprehensive income	-	-	(0.7)	2.6	-	(2.1)	0.6	0.4	-	0.4
Total comprehensive income for the year	-	-	13.9	2.6	-	(2.1)	0.6	15.0	1.2	16.2
Exercise of options	-	0.1	-	-	-	-	-	0.1	-	0.1
Dividends paid	-	-	(55.7)	-	-	-	-	(55.7)	(0.4)	(56.1)
Shares purchased	-	-	-	-	(0.3)	-	-	(0.3)	-	(0.3)
Shares issued	0.2	7.0	-	-	-	-	-	7.2	-	7.2
Shares released	-	-	-	-	6.4	-	-	6.4	-	6.4
Other movements	-	-	0.7	(0.4)	5.0	(3.5)	-	1.8	(1.4)	0.4
At 31 July 2011	**37.6**	**283.0**	**416.2**	**(2.5)**	**(23.0)**	**18.1**	**(3.0)**	**726.4**	**1.9**	**728.3**

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2011

	Note	**2011 £ million**	2010 £ million
Net cash inflow/(outflow) from operating activities	18(a)	**67.9**	(135.1)
Net cash outflow from investing activities			
Dividends received from associates		**2.5**	8.2
Purchase of:			
Assets held under operating leases		**(26.8)**	(12.6)
Property, plant and equipment		**(9.5)**	(8.5)
Intangible assets		**(7.2)**	(4.7)
Equity shares held for investment		**(0.5)**	(0.2)
Own shares for employee share award schemes		**(0.3)**	(2.3)
Non-controlling interests		**-**	(4.0)
Loan book	6	**-**	(97.8)
Subsidiaries	18(b)	**(39.0)**	(0.4)
Sale of:			
Property, plant and equipment		**5.2**	2.2
Equity shares held for investment		**20.7**	3.3
Subsidiaries	18(c)	**(231.0)**	-
		(285.9)	(116.8)
Net cash outflow before financing		**(218.0)**	(251.9)
Financing activities			
Issue of ordinary share capital, net of transaction costs	18(d)	**0.2**	1.4
Equity dividends paid		**(55.7)**	(55.5)
Dividends paid to non-controlling interests		**(0.4)**	(0.7)
Interest paid on subordinated loan capital		**(5.6)**	(5.6)
Debt securities (redeemed)/issued		**(20.5)**	197.2
Net decrease in cash		**(300.0)**	(115.1)
Cash and cash equivalents at beginning of year		**1,283.2**	1,398.3
Cash and cash equivalents at end of year	18(e)	**983.2**	1,283.2

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 2011 or 31 July 2010 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 2010. 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 19 October 2011.

The financial information for the year ended 31 July 2011 has been derived from the audited financial statements of Close Brothers Group plc for that year. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 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 the group's chief operating decision maker, manages the group by class of business as determined by the products and services offered and present 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 growth of the divisions. Income within Group is typically immaterial and will include interest on cash balances at Group. In the segmental reporting information which follows, Group consists of the central functions described above as well as various non-trading head office companies and consolidation adjustments, in order that the information presented reconciles to the overall group consolidated income statement and balance sheet.

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

2. Segmental analysis continued

Summary Income Statement for the year ended 31 July 2011

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	**Total £ million**
Net interest income/(expense)	**230.2**	**(0.4)**	**0.8**	**0.3**	**230.9**	**5.6**	**236.5**
Other income/(expense)	**95.8**	**159.1**	**63.0**	**(0.3)**	**317.6**	**25.9**	**343.5**
Operating income before exceptional items	**326.0**	**158.7**	**63.8**	**-**	**548.5**	**31.5**	**580.0**
Administrative expenses	**(142.2)**	**(101.8)**	**(72.0)**	**(20.6)**	**(336.6)**	**(28.4)**	**(365.0)**
Depreciation and amortisation	**(12.3)**	**(2.1)**	**(0.4)**	**(0.7)**	**(15.5)**	**(1.1)**	**(16.6)**
Impairment losses on loans and advances	**(65.2)**	**-**	**-**	**-**	**(65.2)**	**-**	**(65.2)**
Total operating expenses before exceptional items	**(219.7)**	**(103.9)**	**(72.4)**	**(21.3)**	**(417.3)**	**(29.5)**	**(446.8)**
Adjusted operating profit/(loss)[1]	**106.3**	**54.8**	**(8.6)**	**(21.3)**	**131.2**	**2.0**	**133.2**
Exceptional items	**-**	**(36.0)**	**(15.4)**	**4.5**	**(46.9)**	**-**	**(46.9)**
Goodwill impairment	**-**	**-**	**(3.7)**	**-**	**(3.7)**	**(4.5)**	**(8.2)**
Amortisation of intangible assets on acquisition	**(0.6)**	**-**	**(1.5)**	**-**	**(2.1)**	**-**	**(2.1)**
Loss on disposal of discontinued operations	**-**	**-**	**-**	**-**	**-**	**(24.9)**	**(24.9)**
Operating profit/(loss) before tax	**105.7**	**18.8**	**(29.2)**	**(16.8)**	**78.5**	**(27.4)**	**51.1**
Tax	**(28.6)**	**(15.2)**	**5.2**	**3.5**	**(35.1)**	**(0.2)**	**(35.3)**
Non-controlling interests	**(0.7)**	**-**	**-**	**-**	**(0.7)**	**(0.5)**	**(1.2)**
Profit/(loss) after tax and non-controlling interests	**76.4**	**3.6**	**(24.0)**	**(13.3)**	**42.7**	**(28.1)**	**14.6**
External operating income/(expense)	**347.6**	**158.7**	**65.0**	**(15.3)**	**556.0**	**24.0**	**580.0**
Inter segment operating income/(expense)	**(21.6)**	**-**	**(1.2)**	**15.3**	**(7.5)**	**7.5**	**-**
Segment operating income	**326.0**	**158.7**	**63.8**	**-**	**548.5**	**31.5**	**580.0**

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

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

	2011 £ million	2010 £ million
Banking		
Retail	**128.8**	104.9
Commercial	**140.6**	114.2
Property	**42.9**	36.5
Treasury and other non-lending income	**13.7**	16.4
Securities		
Market-making and related activities	**158.7**	162.2
Asset Management		
Management fees on AuM	**57.3**	48.1
Other income	**6.5**	12.5
Group	**-**	0.5
Operating income before exceptional items (continuing operations)	**548.5**	495.3
Discontinued operations	**31.5**	36.4
Operating income before exceptional items	**580.0**	531.7

2. Segmental analysis continued

Summary Balance Sheet at 31 July 2011

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	**Total £ million**
Assets					
Cash and loans and advances to banks	**668.4**	**24.7**	**15.1**	**1.1**	**709.3**
Settlement balances, long trading positions and loans to money brokers[1]	**-**	**706.9**	**-**	**-**	**706.9**
Loans and advances to customers	**3,435.3**	**-**	**-**	**-**	**3,435.3**
Non-trading debt securities	**810.2**	**-**	**-**	**-**	**810.2**
Investments in associates	**-**	**33.4**	**-**	**-**	**33.4**
Intangible assets	**41.1**	**26.3**	**65.5**	**0.2**	**133.1**
Other assets	**219.0**	**20.4**	**27.5**	**13.5**	**280.4**
Intercompany balances	**1.3**	**(23.8)**	**8.2**	**14.3**	**-**
Total assets	**5,175.3**	**787.9**	**116.3**	**29.1**	**6,108.6**
Liabilities					
Settlement balances, short trading positions and loans from money brokers	**-**	**585.4**	**-**	**-**	**585.4**
Deposits by banks	**192.8**	**-**	**-**	**-**	**192.8**
Deposits by customers	**3,167.4**	**3.1**	**-**	**-**	**3,170.5**
Borrowings	**790.4**	**0.5**	**1.7**	**333.1**	**1,125.7**
Other liabilities	**171.5**	**66.8**	**51.3**	**16.3**	**305.9**
Intercompany balances	**405.7**	**35.3**	**25.2**	**(466.2)**	**-**
Total liabilities	**4,727.8**	**691.1**	**78.2**	**(116.8)**	**5,380.3**
Equity	**447.5**	**96.8**	**38.1**	**145.9**	**728.3**
Total liabilities and equity	**5,175.3**	**787.9**	**116.3**	**29.1**	**6,108.6**
Other segmental information for the year ended 31 July 2011					
Property, plant, equipment and intangible asset expenditure	**35.4**	**3.1**	**63.0**	**0.2**	**101.7**
Employees (average number)	**1,563**	**276**	**736**	**72**	**2,647**

[1]£42.6 million of long trading positions in debt securities have been included with other trading balances in "Settlement balances, long trading positions and loans to money brokers" for the purpose of this summary balance sheet. These balances are included within "Debt securities" in the Consolidated Balance Sheet.

2. Segmental analysis continued

Summary Income Statement for the year ended 31 July 2010

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Net interest income/(expense)	188.5	(0.4)	2.1	0.3	190.5	5.0	195.5
Other income	83.5	162.6	58.5	0.2	304.8	31.4	336.2
Operating income before exceptional items	272.0	162.2	60.6	0.5	495.3	36.4	531.7
Administrative expenses	(118.3)	(100.9)	(61.6)	(20.6)	(301.4)	(30.3)	(331.7)
Depreciation and amortisation	(10.8)	(2.0)	(0.5)	(0.7)	(14.0)	(1.3)	(15.3)
Impairment losses on loans and advances	(63.4)	-	-	-	(63.4)	-	(63.4)
Total operating expenses before exceptional items	(192.5)	(102.9)	(62.1)	(21.3)	(378.8)	(31.6)	(410.4)
Adjusted operating profit/(loss)[1]	79.5	59.3	(1.5)	(20.8)	116.5	4.8	121.3
Exceptional items	-	-	-	(15.0)	(15.0)	-	(15.0)
Goodwill impairment	-	-	-	-	-	(6.5)	(6.5)
Amortisation of intangible assets on acquisition	(0.5)	-	-	-	(0.5)	-	(0.5)
Loss on disposal of discontinued operations	-	-	-	-	-	-	-
Operating profit/(loss) before tax	79.0	59.3	(1.5)	(35.8)	101.0	(1.7)	99.3
Tax	(22.5)	(16.0)	(0.5)	6.2	(32.8)	-	(32.8)
Non-controlling interests	(0.3)	-	-	-	(0.3)	(0.3)	(0.6)
Profit/(loss) after tax and non-controlling interests	56.2	43.3	(2.0)	(29.6)	67.9	(2.0)	65.9
External operating income/(expense)	284.5	162.2	60.6	(5.8)	501.5	30.2	531.7
Inter segment operating income/(expense)	(12.5)	-	-	6.3	(6.2)	6.2	-
Segment operating income	272.0	162.2	60.6	0.5	495.3	36.4	531.7

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

2. Segmental analysis continued

Summary Balance Sheet at 31 July 2010

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Assets					
Cash and loans and advances to banks	493.5	26.8	90.4	0.5	611.2
Settlement balances, long trading positions and loans to money brokers[1]	-	713.3	-	-	713.3
Loans and advances to customers	2,898.0	-	14.6	-	2,912.6
Non-trading debt securities	1,448.1	2.0	132.0	-	1,582.1
Investments in associates	-	73.4	0.3	-	73.7
Intangible assets	37.8	28.7	40.8	0.2	107.5
Other assets	168.3	15.5	52.9	22.5	259.2
Intercompany balances	(475.7)	(27.5)	515.9	(12.7)	-
Total assets	4,570.0	832.2	846.9	10.5	6,259.6
Liabilities					
Settlement balances, short trading positions and loans from money brokers	-	597.8	-	-	597.8
Deposits by banks	37.8	-	10.3	-	48.1
Deposits by customers	2,469.1	1.2	645.2	-	3,115.5
Borrowings	1,167.8	4.9	1.5	297.8	1,472.0
Other liabilities	148.5	59.9	47.7	15.7	271.8
Intercompany balances	377.7	73.6	17.5	(468.8)	-
Total liabilities	4,200.9	737.4	722.2	(155.3)	5,505.2
Equity	369.1	94.8	124.7	165.8	754.4
Total liabilities and equity	4,570.0	832.2	846.9	10.5	6,259.6
Other segmental information for the year ended 31 July 2010					
Property, plant, equipment and intangible asset expenditure	19.9	1.6	1.9	2.4	25.8
Employees (average number)	1,403	260	810	72	2,545

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

3. Exceptional items

	2011 £ million	2010 £ million
Exceptional income		
Investment gains	**4.5**	-
Exceptional expenses		
Impairment on investment in Mako	**(36.0)**	-
Restructuring costs	**(15.4)**	-
Impairment on investment assets	**-**	(15.0)
	(46.9)	(15.0)

3. Exceptional items continued

Investment gains relates to the group's redemption of its investment in Pelagus Capital Fund Inc.

The impairment on investment in Mako reflects the present value of the expected proceeds of the sale agreement and future dividends, based on historical levels of profitability, discounted using a discount rate of 15%. Further details of the sale agreement are discussed in note 20.

Restructuring costs relate to the transformation of the Asset Management division including acquisition and disposal related expenses and severance payments.

The tax impact of the exceptional items is a credit of £1.2 million (2010: £nil).

4. Tax expense

	2011 £ million	2010 £ million
Tax recognised in the income statement		
Current tax:		
UK corporation tax	**38.7**	29.9
Foreign tax	**3.0**	1.8
Adjustments in respect of previous years	**(4.7)**	3.4
	37.0	35.1
Deferred tax:		
Deferred tax (credit)/expense for the current year	**(5.5)**	0.8
Adjustments in respect of previous years	**3.6**	(3.1)
Tax charge	**35.1**	32.8
Tax recognised in equity		
Current tax relating to:		
Financial instruments classified as available for sale	**0.4**	7.4
Share-based transactions	**(0.7)**	(0.5)
Deferred tax relating to:		
Cash flow hedging	**0.6**	2.3
Share-based transactions	**(0.3)**	(0.2)
	-	9.0
Reconciliation to tax expense		
UK corporation tax for the year at 27.3% (2010: 28.0%) on operating profit	**21.5**	28.3
Goodwill impairment	**1.1**	-
Impairment on investment assets	**-**	4.2
Impairment on investment in Mako	**9.8**	-
Effect of different tax rates on other jurisdictions	**(0.9)**	0.3
Share of associates consolidated at profit after tax	**(0.7)**	(1.6)
Utilisation of losses not previously recognised	**(0.5)**	(0.8)
Disallowable items and other permanent differences	**3.2**	1.1
Deferred tax impact of reduced UK corporation tax rate	**2.7**	1.0
Prior year tax provision	**(1.1)**	0.3
	35.1	32.8

The effective tax rate for the year is 44.7% (2010: 32.5%). The effective tax rate for the period is above the UK corporation tax rate of 27.3% due to non-tax deductible impairment of associate and goodwill, other disallowable expenditure, and a reduction in the deferred tax asset due to a reduction in the standard UK corporation tax rate applying for future periods.

THE NOTES

5. Discontinued operations

On 1 June 2011, the group completed the sale of its UK offshore trust, fund administration, asset management and banking business, which was a part of the Asset Management division, to Kleinwort Benson Channel Islands Holdings Limited for cash consideration of £26.2 million. The loss on disposal was £25.8 million.

On 1 June 2011, the group completed the sale of its Cayman Islands trust, fiduciary services, fund administration and banking business, which was a part of the Asset Management division, to Intertrust Group Holding SA for cash consideration of US$30.0 million (approximately £18.3 million). The profit on disposal was £0.9 million.

The UK offshore business and the Cayman Islands business 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:

Results of discontinued operations

	2011 £ million	2010 £ million
Operating income	**31.5**	36.4
Operating expenses	**(29.5)**	(31.6)
Goodwill impairment	**(4.5)**	(6.5)
Operating loss before tax	**(2.5)**	(1.7)
Tax	**(0.2)**	-
Loss after tax	**(2.7)**	(1.7)
Loss on disposal of discontinued operations, net of tax	**(24.9)**	-
Loss for the period from discontinued operations	**(27.6)**	(1.7)

Cash flow from discontinued operations

	2011 £ million	2010 £ million
Net cash flow from operating activities	**4.0**	(23.0)
Net cash flow from investing activities	**(1.9)**	(1.8)
Net cash flow from financing activities	**(0.4)**	(0.7)

6. Acquisitions

Since 31 July 2010 the group has made the following acquisitions:

On 10 September 2010 the group acquired 100% of Chartwell Group Limited, an Independent Financial Advisor ("IFA") with £705 million of client assets, for consideration of £16.9 million, including £2.3 million for the settlement of third party debt, recognising goodwill of £11.7 million and intangibles of £7.9 million.

On 18 February 2011 the group acquired 100% of Allenbridge Group plc, a London based execution only retail broker with £440 million of client assets, for consideration of £5.4 million, including £0.8 million for the settlement of third party debt, recognising goodwill of £1.9 million and intangibles of £4.1 million.

On 31 May 2011 the group acquired 100% of Cavanagh Group plc, an IFA with £1.5 billion of client assets, for consideration of £27.1 million, including £20.0 million in cash and £7.1 million equity, recognising goodwill of £12.4 million and intangibles of £20.2 million. The £7.1 million equity consideration was satisfied by the issue of 836,898 shares determined on the basis of the closing price of the company shares on 31 March 2011 of 845p per share.

6. Acquisitions continued

None of these acquisitions is considered to be individually material. Details of the net assets acquired are set out in aggregate below:

	On acquisition £ million	Fair value adjustments £ million	Adjusted fair value £ million
Assets			
Cash and cash equivalents	3.3	-	3.3
Intangible assets	13.8	18.4	32.2
Property, plant and equipment	0.4	-	0.4
Deferred tax assets	0.2	-	0.2
Prepayments and accrued income	0.4	-	0.4
Other assets	2.4	-	2.4
Total assets	20.5	18.4	38.9
Liabilities			
Bank loans and overdrafts	(1.8)	-	(1.8)
Deferred tax on intangible assets	(0.5)	(7.5)	(8.0)
Current tax liabilities	(0.1)	-	(0.1)
Other liabilities	(8.0)	(0.7)	(8.7)
Total liabilities	(10.4)	(8.2)	(18.6)
Net assets acquired	10.1	10.2	20.3
Purchase consideration			
Cash paid			39.2
Equity instruments (836,898 ordinary shares)			7.1
			46.3
Fair value of net assets acquired			20.3
Goodwill arising on acquisition			26.0

Acquisition related costs of £1.2 million are included within exceptional items, see note 3.

The principal factors contributing to the recognition of goodwill on these acquisitions are synergies expected to arise from the integration with the group. The primary reason for the acquisitions is to accelerate the group's strategy to create a leading UK wealth and asset management business.

The operating results of these acquisitions have been included from the dates acquired and, since acquisition, have contributed £7.9 million to operating income and £0.8 million, including £0.2 million of exceptional expenses, to operating profit before tax.

2010 acquisitions

On 4 January 2010 the group acquired the invoice financing loan book of GMAC Commercial Finance Limited (UK) for a premium to net book value of £4.0 million in cash. The loan book acquired of £93.8 million is not regarded as material in the context of the group's financial statements and therefore the information that would be required for material acquisitions by IFRS 3 “Business Combinations” (“IFRS 3”) has not been disclosed.

THE NOTES

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders and the number of basic weighted average number of 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.

	2011	2010
Earnings per share		
Continuing operations[1]		
Basic	**29.6p**	47.4p
Diluted	**29.0p**	46.6p
Adjusted basic[2]	**64.8p**	58.2p
Adjusted diluted[2]	**63.6p**	57.2p

[1] Excludes the effect of the UK offshore and Cayman Islands businesses which were disposed of in June 2011 and have been classified as discontinued operations.
[2] Excludes discontinued operations, exceptional items, goodwill impairment, amortisation of intangible assets on acquisition and their tax effects.

	2011	2010
Continuing and discontinued operations		
Basic	**10.1p**	46.0p
Diluted	**9.9p**	45.2p

	£ million	£ million
Profit attributable to the shareholders of the company	**14.6**	65.9
Loss for the period from discontinued operations including non-controlling interests	**(28.1)**	(2.0)
Profit attributable to the shareholders on continuing operations	**42.7**	67.9
Adjustments:		
Exceptional items	**46.9**	15.0
Goodwill impairment	**3.7**	-
Amortisation of intangible assets on acquisition	**2.1**	0.5
Tax effect of adjustments	**(1.7)**	-
Adjusted profit attributable to shareholders on continuing operations	**93.7**	83.4

	2011 million	2010 million
Average number of shares		
Basic weighted	**144.5**	143.4
Effect of dilutive share options and awards	**2.9**	2.4
Diluted weighted	**147.4**	145.8

The basic loss per share from discontinued operations is 19.4p (2010: loss of 1.4p) and the diluted loss per share from discontinued operations is 19.1p (2010: loss of 1.4p).

Adjusted basic earnings per share on a continuing and discontinued operations basis was 65.7p (2010: 61.3p), based on adjusted profit attributable to shareholders on continuing and discontinued operations of £95.0 million (2010: £87.9 million).

8. Dividends

	2011 £ million	2010 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2010: 25.5p (2009: 25.5p)	**36.4**	36.3
Interim dividend for current financial year paid in April 2011: 13.5p (2010: 13.5p)	**19.3**	19.2
	55.7	55.5

A final dividend relating to the year ended 31 July 2011 of 26.5p, amounting to an estimated £38.3 million, is proposed. This final dividend, which is due to be paid on 22 November 2011, is not reflected in these financial statements.

9. 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 provision £ million	Total £ million
At 31 July 2011	**32.7**	**1,060.7**	**1,143.7**	**620.8**	**658.3**	**12.8**	**(93.7)**	**3,435.3**
At 31 July 2010	49.6	915.0	996.5	473.5	552.3	12.8	(87.1)	2,912.6

	2011 £ million	2010 £ million
Impairment provisions on loans and advances to customers		
At 1 August	**87.1**	71.2
Charge for the year	**65.2**	63.4
Amounts written off net of recoveries	**(58.6)**	(47.5)
Impairment provisions at 31 July	**93.7**	87.1
Loans and advances to customers comprise		
Hire purchase agreement receivables	**1,380.2**	1,033.5
Finance lease receivables	**288.0**	232.9
Other loans and advances	**1,767.1**	1,646.2
	3,435.3	2,912.6

At 31 July 2011, gross impaired loans were £314.1 million (31 July 2010: £299.4 million) and equate to 9% (31 July 2010: 10%) 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.

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10. Debt securities

	Held for trading £ million	Held to maturity £ million	Available for sale £ million	Loans and receivables £ million	**Total £ million**
Long trading positions in debt securities	**42.6**	**-**	**-**	**-**	**42.6**
Certificates of deposit	**-**	**-**	**-**	**284.5**	**284.5**
Floating rate notes	**-**	**-**	**296.9**	**-**	**296.9**
Gilts and government guaranteed debt	**-**	**-**	**228.8**	**-**	**228.8**
At 31 July 2011	**42.6**	**-**	**525.7**	**284.5**	**852.8**

	Held for trading £ million	Held to maturity £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions in debt securities	54.1	-	-	-	54.1
Certificates of deposit	-	-	-	672.1	672.1
Floating rate notes	-	9.0	615.4	-	624.4
Gilts and government guaranteed debt	-	-	285.6	-	285.6
At 31 July 2010	54.1	9.0	901.0	672.1	1,636.2

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

	2011		2010	
	Book value £ million	**Fair value £ million**	Book value £ million	Fair value £ million
Certificates of deposit classified as loans and receivables	**284.5**	**284.6**	672.1	672.4
Floating rate notes held to maturity	**-**	**-**	9.0	8.8
	284.5	**284.6**	681.1	681.2

10. Debt securities continued

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

	Gilts and government guaranteed debt	Floating rate notes		
	Available for sale £ million	Available for sale £ million	Held to maturity £ million	Total £ million
At 1 August 2009	285.0	754.7	19.4	1,059.1
Disposals	-	(32.5)	-	(32.5)
Redemptions at maturity	-	(137.1)	(10.3)	(147.4)
Currency translation differences	-	4.1	(0.1)	4.0
Changes in fair value of financial instruments classified as available for sale	0.6	26.2	-	26.8
At 31 July 2010	285.6	615.4	9.0	910.0
Additions	45.0	-	-	45.0
Disposals	(45.0)	(274.0)	(9.0)	(328.0)
Redemptions at maturity	(50.2)	(55.0)	-	(105.2)
Currency translation differences	-	4.6	-	4.6
Changes in fair value of financial instruments classified as available for sale	(6.6)	5.9	-	(0.7)
At 31 July 2011	**228.8**	**296.9**	**-**	**525.7**

In respect of floating rate notes (“FRNs”), £166.1 million (2010: £132.4 million) were due to mature within one year and £20.9 million (2010: £25.0 million) have been issued by corporates with the remainder issued by banks and building societies.

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11. Equity shares

	2011 **£ million**	2010 £ million
Equity shares classified as held for trading	**37.9**	31.5
Other equity shares	**19.2**	28.4
	57.1	59.9

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 2009	25.4	12.6	38.0
Additions	-	0.2	0.2
Disposals	-	(10.9)	(10.9)
Currency translation differences	(0.3)	-	(0.3)
Changes in fair value of:			
Equity shares classified as available for sale	(2.4)	-	(2.4)
Unlisted equity shares held at fair value	-	3.8	3.8
At 31 July 2010	22.7	5.7	28.4
Additions	-	0.5	0.5
Disposals	(10.9)	(4.5)	(15.4)
Currency translation differences	0.6	-	0.6
Changes in fair value of:			
Equity shares classified as available for sale	2.0	-	2.0
Unlisted equity shares held at fair value	-	3.1	3.1
At 31 July 2011	**14.4**	**4.8**	**19.2**

12. Intangible assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Total £ million
Cost				
At 1 August 2009	169.1	21.8	4.9	195.8
Additions	-	4.7	-	4.7
Acquisitions	1.4	-	2.1	3.5
Disposals	-	-	-	-
Foreign exchange	0.7	-	-	0.7
At 31 July 2010	171.2	26.5	7.0	204.7
Additions	-	7.2	-	7.2
Acquisitions	26.0	-	32.2	58.2
Disposals	(35.7)	(8.4)	-	(44.1)
Foreign exchange	0.3	-	-	0.3
At 31 July 2011	**161.8**	**25.3**	**39.2**	**226.3**
Amortisation and impairment				
At 1 August 2009	69.1	18.7	0.4	88.2
Amortisation charge for the year	-	2.0	0.5	2.5
Disposals	-	-	-	-
Impairment charge	6.5	-	-	6.5
At 31 July 2010	75.6	20.7	0.9	97.2
Amortisation charge for the year	-	1.9	2.1	4.0
Disposals	(6.5)	(5.2)	-	(11.7)
Impairment charge	3.7	-	-	3.7
At 31 July 2011	**72.8**	**17.4**	**3.0**	**93.2**
Net book value at 31 July 2011	**89.0**	**7.9**	**36.2**	**133.1**
Net book value at 31 July 2010	95.6	5.8	6.1	107.5
Net book value at 1 August 2009	100.0	3.1	4.5	107.6

Intangible assets on acquisition relates to broker and customer relationships.

The increase of £32.2 million relates to the acquisition of Chartwell Group Limited, Allenbridge Group plc and Cavanagh Group plc (2010: £2.1 million relates to the acquisition of GMAC Commercial Finance Limited (UK)).

£2.1 million (2010: £0.5 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £1.9 million (2010: £2.0 million) of the amortisation charge is included in administrative expenses in the Consolidated Income Statement.

As a result of the transformation undertaken within the Asset Management division, an impairment charge of £3.7 million has been recognised in two of the Asset Management division's CGUs.

13. Deferred tax assets

	2011 **£ million**	2010 £ million
Capital allowances	**25.3**	22.0
Employee benefits	**10.2**	9.0
Unrealised capital gains	**(1.9)**	(1.0)
Other	**(6.9)**	2.8
	26.7	32.8

Movement in the year:

	£ million
At 1 August 2009	32.6
Credit/(expense) to the income statement	2.3
Equity movements	(2.1)
At 31 July 2010	32.8
Credit/(expense) to the income statement	1.9
Acquisition of intangible assets	(8.0)
Equity movements	(0.3)
Other movements	0.3
At 31 July 2011	**26.7**

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

14. Settlement balances and short positions

	2011 **£ million**	2010 £ million
Settlement balances	**477.8**	498.1
Short positions held for trading:		
Debt securities	**30.4**	48.6
Equity shares	**13.6**	18.4
	44.0	67.0
	521.8	565.1

15. Financial liabilities

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	**Total £ million**
Deposits by banks	**54.2**	**25.9**	**110.9**	**1.8**	**-**	**-**	**192.8**
Deposits by customers	**385.3**	**825.9**	**942.4**	**558.7**	**455.4**	**2.8**	**3,170.5**
Loans and overdrafts from banks	**31.0**	**241.9**	**61.4**	**149.4**	**18.9**	**-**	**502.6**
Debt securities in issue	**-**	**-**	**350.0**	**-**	**-**	**198.1**	**548.1**
At 31 July 2011	**470.5**	**1,093.7**	**1,464.7**	**709.9**	**474.3**	**200.9**	**4,414.0**

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

Of the debt securities in issue, £198.1 million mature on 10 February 2017. The £350.0 million relates to the insurance premium receivables securitisation.

The group has entered into a repurchase agreement whereby FRNs have been lent in exchange for cash which has been included within loans and overdrafts from banks. Residual maturities 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 2011	**-**	**56.8**	**61.0**	**69.1**	**18.2**	**-**	**205.1**
At 31 July 2010	-	-	402.2	-	-	-	402.2

16. Capital management

The group's capital ratios remained strong with a core tier 1 capital ratio of 13.1% (2010: 13.9%) and a total capital ratio of 14.9% (2010: 15.8%). The decrease in the capital ratios was principally due to both an increase in risk weighted assets as a result of growth in the loan book and goodwill on acquisition in the Asset Management division. This increase was partly offset by a reduction in notional risk weighted assets for operational risk as the group migrated to a more advanced methodology reflecting improvements in the group's operational risk framework.

Regulatory capital (core tier 1 and total) reduced during the year due to a reduction in retained earnings and other reserves partly offset by lower deductions overall for intangible assets and goodwill in associates. The composition of capital remained stable with 88.0% (2010: 88.2%) of the total capital consisting of core tier 1 capital.

	2011 £ million	2010 £ million
Core tier 1 capital		
Called up share capital	**37.6**	37.4
Share premium account	**283.0**	275.9
Retained earnings and other reserves	**448.9**	490.6
Non-controlling interests	**1.9**	2.5
Deductions from core tier 1 capital		
Intangible assets	**(133.1)**	(107.5)
Goodwill in associates	**(12.2)**	(51.9)
Investment in own shares	**(37.6)**	(43.7)
Core tier 1 capital after deductions	**588.5**	603.3
Tier 2 capital		
Subordinated debt	**75.0**	75.0
Unrealised gains on available for sale equity shares	**7.0**	7.6
Tier 2 capital	**82.0**	82.6
Deductions from total of tier 1 and tier 2 capital		
Participation in a non-financial undertaking	**(1.3)**	(1.8)
Other regulatory adjustments	**(0.1)**	(0.3)
Total regulatory capital	**669.1**	683.8
Risk weighted assets (notional)		
Credit and counterparty risk	**3,513.7**	3,230.8
Operational risk[1]	**831.6**	971.9
Market risk[1]	**147.7**	136.0
	4,493.0	4,338.7
Core tier 1 capital ratio	**13.1%**	13.9%
Total capital ratio	**14.9%**	15.8%

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

16. Capital continued

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

	2011 £ million	2010 £ million
Equity	**728.3**	754.4
Regulatory deductions from equity:		
Intangible assets	**(133.1)**	(107.5)
Goodwill in associates	**(12.2)**	(51.9)
Other reserves not recognised for core tier 1 capital:		
Cash flow hedging reserve	**3.0**	3.6
Available for sale movements reserve	**2.5**	4.7
Core tier 1 capital after deductions	**588.5**	603.3

17. Investments in associates

	2011 £ million	2010 £ million
Share of profit before tax	**3.7**	8.2
Share of tax	**(1.1)**	(2.5)
Share of profit after tax	**2.6**	5.7
Dividends paid	**(2.5)**	(8.2)
Impairment	**(36.0)**	-
Disposals	**(0.3)**	-
Foreign exchange revaluation	**(4.1)**	4.3
	(40.3)	1.8
Carrying amount at 1 August	**73.7**	71.9
Carrying amount at 31 July	**33.4**	73.7

At 31 July 2011, the group had one associate investment, Mako (2010: eight associates). Mako owes £nil (2010: £nil) to the group. The group's share of the aggregated revenue of its associates in the year to 31 July 2011 amounted to £18.0 million (2010: £27.3 million). The group's share of the aggregated assets and liabilities of its associates at 31 July 2011 amounted to £36.5 million (2010: £43.7 million) and £15.3 million (2010: £21.0 million) respectively.

Mako's year end is 31 December which is different to that of the group, therefore 31 July 2011 unaudited management accounts of Mako have formed the basis of the financial information used in determining the group's share of the profits.

The impairment on associate relates to Mako as discussed in the exceptional items note 3.

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18. Consolidated cash flow statement reconciliation

	2011 £ million	2010 £ million
(a) Reconciliation of operating profit before tax to net cash inflow/(outflow) from operating activities		
Operating profit on ordinary activities before tax on continuing operations	**78.5**	101.0
Operating loss on ordinary activities before tax on discontinued operations	**(27.4)**	(1.7)
Tax paid	**(33.3)**	(29.7)
(Increase)/decrease in:		
Interest receivable and prepaid expenses	**(4.8)**	21.5
Net settlement balances and trading positions	**(47.6)**	(82.3)
Net money broker loans against stock advanced	**41.6**	105.0
Increase/(decrease) in:		
Interest payable and accrued expenses	**(4.2)**	(19.3)
Impairment on investment in Mako	**36.0**	-
Depreciation, amortisation and goodwill impairment	**21.3**	22.3
Net cash inflow from trading activities	**60.1**	116.8
(Increase)/decrease in:		
Loans and advances to banks not repayable on demand	**(10.5)**	2.0
Loans and advances to customers	**(539.2)**	(453.9)
Floating rate notes held to maturity	**9.0**	10.4
Floating rate notes classified as available for sale	**329.0**	139.3
Debt securities held for liquidity	**370.4**	(0.6)
Other assets less other liabilities	**32.1**	17.0
Increase/(decrease) in:		
Deposits by banks	**155.3**	0.1
Deposits by customers	**338.4**	195.9
Loans and overdrafts from banks	**(676.7)**	(162.1)
Net cash inflow/(outflow) from operating activities	**67.9**	(135.1)

	2011 £ million	2010 £ million
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries		
Cash consideration in respect of current year purchases	**(39.2)**	-
Loan stock redemptions and deferred consideration paid in respect of prior year purchases	**(3.1)**	(0.4)
Net movement in cash balances	**3.3**	-
	(39.0)	(0.4)
(c) Analysis of net cash inflow/(outflow) in respect of the sale of subsidiaries		
Cash consideration received	**44.5**	-
Cash and cash equivalents disposed of	**(275.5)**	-
	(231.0)	-
(d) Analysis of changes in financing		
Share capital (including premium) and subordinated loan capital:		
Opening balance	**388.3**	386.9
Shares issued for cash	**0.2**	1.4
Shares issued on acquisitions	**7.1**	-
Closing balance	**395.6**	388.3

18. Consolidated cash flow statement reconciliation continued

	2011 £ million	2010 £ million
(e) Analysis of cash and cash equivalents[1]		
Cash and balances at central banks	**590.8**	452.7
Loans and advances to banks repayable on demand	**107.9**	158.4
Certificates of deposit	**284.5**	672.1
	983.2	1,283.2

[1]Excludes Bank of England cash reserve account and amounts held as collateral.

19. Financial risk management
Sovereign and banking sector exposure
The group has limited exposure outside of the UK. However, given increased market and regulatory focus on such exposures, particularly in relation to Greece, Ireland, Italy, Portugal and Spain, the group considers it appropriate to provide the following disclosure.

The group has no sovereign exposures to any of the countries listed above. It has exposure through its holding of debt securities issued by Irish banks as follows:

	Exposure £ million
Floating rate notes	94.6

The FRNs are issued by Allied Irish Bank and Bank of Ireland and have a remaining maturity of under 12 months. As available for sale debt securities, the FRNs are marked to market against equity and had a carrying value of £86.0 million at 31 July 2011.

In addition, the group has loans and advances to customers in Ireland and Spain. These relate to loans in the group's Retail and Commercial businesses, and are issued with the same lending criteria and security as applied within the UK.

	Ireland £ million	Spain £ million	Total £ million
Loans and advances to customers	75.7	3.4	**79.1**

The group has no other material exposure to these economies.

20. Post balance sheet event
On 16 September 2011, the group announced the phased sale of its 49.9% investment in Mako, which is included within the Securities division, to the management team. The sale is consistent with the group's focus on developing its core businesses where it has full control. Given the nature of its business, Mako has a more volatile earnings profile which is not consistent with the group's strategy.

The sale is for an estimated consideration of US$40 million in cash and will be effected via a series of purchases over several years by the management team. The sale of the first 16.6% is expected to close in the next few months, and the amount and timing of future purchases will depend on the financial performance of Mako. In addition, whilst it remains a shareholder in Mako, the group will continue to receive a dividend from Mako equivalent to its share of all profit after tax. Should the aggregate performance of Mako outperform certain predefined levels of profitability, the group will also be entitled to further deferred contingent consideration of up to US$7.5 million.

As a result of the transaction, the group has written down the value of its investment in Mako by £36.0 million.

Cautionary statement

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