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Press Release

Close Brothers Group plc announces

Preliminary Results for the year ended 31 July 2012

25 September 2012

A solid overall performance in the current market environment

- Adjusted operating profit increased 2% to £134.2 million and adjusted basic earnings per share increased 4% to 67.3p
- The Banking division delivered a 27% increase in adjusted operating profit to £135.0 million. The loan book increased 20% to £4.1 billion and the bad debt ratio improved to 1.5%
- The Securities division was affected by difficult market conditions and adjusted operating profit reduced 55% to £24.5 million
- Asset Management has substantially completed its restructuring and the adjusted operating loss reduced to £4.3 million
- We have maintained a prudent funding and liquidity position and our capital base remains strong with a core tier 1 capital ratio of 12.8% and leverage ratio of 9.7%
- Full year dividend per share increased 1.5p to 41.5p

Financial Highlights for the year ended 31 July	**2012**	2011
Adjusted operating profit[1]	**£134.2m**	£131.2m
Adjusted basic earnings per share[2]	**67.3p**	64.8p
Operating profit before tax (after exceptional items)	**£134.9m**	£78.5m
Basic earnings per share (after exceptional items)	**68.6p**	29.6p
Ordinary dividend per share[3]	**41.5p**	40.0p
Core tier 1 capital ratio	**12.8%**	13.1%

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

Note: All figures are in respect of continuing operations.

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

"We have achieved a solid overall performance as we continue to focus on executing our strategy and maximising the opportunity for each of our businesses in the current market environment. Banking continued to grow strongly while Securities has been affected by difficult trading conditions. Asset Management has substantially completed its restructuring and is now positioned for future profitability.

Looking forward, our strong balance sheet and the market positions of our businesses leave us well positioned for the current financial year."

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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 0012, or +44 203 059 8125, password "Close Brothers". A recording of this call will be available for replay for two weeks by dialling 0121 260 4861, access code 4593095#.

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 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 delivered a solid financial performance and made good strategic progress in the 2012 financial year. The Banking division has continued to grow strongly, while maintaining its distinctive lending model and the quality of its loan book. In Securities, Winterflood has maintained its strong market position and capacity despite a difficult market environment. In Asset Management, we have substantially completed our restructuring and are now positioned to return to profitability. Our strong balance sheet and the market positions of our businesses leave us well placed to deliver sustainable profit growth and shareholder returns over time.

Solid overall performance in the current market environment

Overall, adjusted operating profit increased 2% to £134.2 million (2011: £131.2 million) and adjusted basic earnings per share increased 4% to 67.3p (2011: 64.8p). This reflects continued strong profit growth in Banking, while profit in Securities reduced substantially due to the difficult external trading conditions and Asset Management made a further small loss as it progressed with its restructuring.

We recorded net exceptional income of £5.6 million on the partial sale of Mako, principally reflecting foreign exchange gains realised on disposal. The prior year included net exceptional charges of £46.9 million principally related to an impairment of our investment in Mako and restructuring in Asset Management. As a result, operating profit before tax, after exceptional items, increased significantly to £134.9 million (2011: £78.5 million) and basic earnings per share increased to 68.6p (2011: 29.6p).

We have maintained a prudent funding position and continue to have access to a diverse range of funding sources. We raised or renewed over £900 million of wholesale funding in the year, as well as continuing to grow our deposit base, and the loan book was 142% (31 July 2011: 157%) covered by available funding at the balance sheet date. We have also maintained a good level of high quality liquidity in the form of deposits with the Bank of England and UK gilts, while at the same time reducing our holding of less liquid debt securities to optimise balance sheet efficiency.

We have maintained a strong capital position with a core tier 1 capital ratio of 12.8% (31 July 2011: 13.1%), and a leverage ratio of 9.7% (31 July 2011: 9.5%), despite a 20% increase in the loan book and reduced profits in Securities. These ratios are comfortably ahead of all applicable regulatory requirements and industry benchmarks and are not expected to be materially affected by Basel III.

The board is recommending a 1.0p increase in the final dividend per share to 27.5p (2011: 26.5p), resulting in a full year dividend per share of 41.5p (2011: 40.0p), up 4%. This reflects the group's solid performance in the 2012 financial year and our continued confidence in the prospects of our businesses.

Good strategic progress in core businesses

Following a number of disposals over the last three financial years, we are now focused on developing our core businesses, which have the capacity to deliver high quality, sustainable earnings over time.

As we continue to grow and develop, we are committed to maintaining the key attributes of our business model, which are simple and straightforward business activities; a prudent approach to managing our business and balance sheet; the expertise of our people; and strong relationships with clients and intermediaries. These attributes underpin our strategic priorities of building our client franchises and driving sustainable profits. We undertake a detailed strategic review of each division on an annual basis, and at this year's review we concluded that existing strategic priorities remain appropriate, and execution remains on track.

OVERVIEW

Chairman's and Chief Executive's Statement continued

Strong growth with maintained model in Banking

The strategic priority in the Banking division continues to be to capture growth opportunities while maintaining our distinctive, specialist lending model and the quality of our loan book. The operating environment for the division remains favourable, with strong demand for specialist lending services and limited supply of competing sources of credit, and we have achieved significant growth in our loan book while maintaining consistent lending criteria.

This is reflected in three years of strong loan book growth while maintaining all key ratios well within their historical ranges. In the 2012 financial year, the loan book increased a further 20% to £4.1 billion (31 July 2011: £3.4 billion), the net interest margin remained strong at 9.4% (2011: 9.8%) and the bad debt ratio improved to 1.5% (2011: 2.1%). As a result, the division's adjusted operating profit increased 27% to £135.0 million (2011: £106.3 million).

Loan book growth is principally driven by continued expansion of our core client franchises, and we remain focused on building lending relationships directly with small businesses and with distributors such as motor dealers and insurance brokers. During the year we have further expanded our sales capacity with a net increase of around 40 front line staff, bringing the total to nearly 500, and the opening of a further motor finance branch in the UK. Our local, service and expertise led approach ensures we maintain strong relationships with borrowers and intermediaries, and we continue to generate high levels of repeat business across the division.

We are undertaking significant investment to support our growing business, ensure our growth remains safe, and maximise our long-term efficiency. This includes the recent launch of a division wide credit management information system, which allows us to more effectively monitor and analyse credit risk at the divisional, business or individual loan level. We have also upgraded our infrastructure and information systems in the areas of finance and IT. At the same time, we have a number of projects underway to streamline and refine processes across the division to ensure we maximise efficiency while maintaining the local expertise and integrated model which underpin our customer proposition and business model.

Maintained market positions and capacity in Securities

The Securities division has continued to deliver against its strategic priorities of maintaining its leading market positions and maximising profitability in all trading conditions. However, overall adjusted operating profit for the division reduced substantially to £24.5 million (2011: £54.8 million) reflecting difficult market conditions throughout the period.

Winterflood has again demonstrated the strength of its business model, which underpins a 25 year track record of profitability. However, its results were affected by low retail investor risk appetite and reduced client trading activity across all sectors, particularly in the less liquid AIM and small-cap stocks, and adjusted operating profit reduced significantly to a ten year low of £16.0 million (2011: £43.2 million).

Notwithstanding the difficult trading conditions, Winterflood's loss days remained relatively modest at 13 days (2011: one loss day) out of 253 (2011: 251) trading days, reflecting the experience and expertise of its traders and tight risk controls. Importantly, Winterflood has maintained its leading market position and remains the largest market-maker to UK retail brokers. In addition, its focus on market-making and variable cost structure have allowed it to maintain its trading capacity while reducing its costs by 30% to reflect the reduction in trading activity. As a result, although trading conditions remain difficult, it remains profitable and well positioned for any increase in activity.

Winterflood's primary focus remains its core UK market-making activities, but it continues to explore growth opportunities through Winterflood Business Services, which offers outsourced execution and custody services, and through its recently opened office in the US.

OVERVIEW

Chairman's and Chief Executive's Statement continued

Close Brothers Seydler has also experienced difficult conditions in the German market, and its adjusted operating profit reduced significantly to £1.3 million (2011: £9.0 million) as a result of low market volumes and reduced debt and equity capital markets activity, particularly in the first half of the financial year. However, the business has a strong client franchise and remains well placed for any recovery.

During the year, we agreed the phased sale of our entire 49.9% investment in Mako to the management team, and at 31 July 2012 our holding in Mako had reduced to 27.3%.

Significant strategic progress in Asset Management

In Asset Management we have substantially completed the restructuring of the division to build a leading private client business in the UK. As expected, the division made a small adjusted operating loss of £4.3 million (2011: loss of £8.6 million).

The private client business continued to grow, reflecting both continued organic growth and acquisitions. Net inflows of private client assets were £284 million (2011: £249 million) in the year, driven by both our advised business and sales of our investment products through third party IFAs. We added a further £330 million of Assets under Management ("AuM") through acquisitions, principally Scott-Moncrieff Wealth Management, an IFA business based in Scotland.

Consistent with our strategy, institutional AuM continued to reduce reflecting redemptions of institutional client assets and the closure of non-core funds. In March 2012 we also completed the disposal of OLIM's property funds business with £355 million of AuM. As a result, at 31 July 2012 overall AuM reduced to £8.3 billion (31 July 2011: £9.6 billion), of which the significant majority now relates to private clients.

During the year we completed the development of our new client propositions and technology platform, with a total investment of £20 million over the last three years. In November 2011, we launched the new proposition for advised clients, which has been well received by advisers and clients with a steadily building pipeline. In May 2012, we launched our offering for self directed clients which provides direct access to our investment portal.

We also completed our range of investment management solutions and now offer a full range of directly invested, multi-manager and passive funds, as well as separately managed accounts and bespoke portfolio management services, all managed by our integrated investment team. Performance of our new investment management products has been strong, with all five of our direct funds achieving a first or second quartile performance in the year to 30 June 2012. In addition, over half of our bespoke portfolio AuM achieved first quartile performance within their respective ARC peer groups over the same period.

With our client propositions, technology and business model now in place, our focus going forward is on driving revenue and asset growth through our new client propositions while stabilising and optimising the cost base. Initially the focus will be on selling our new integrated advice and investment management offering to existing advised clients, with an increasing focus on new organic growth over time. With the restructuring substantially behind us, Asset Management is now in a position to move into profitability during the course of the 2013 financial year and, subject to market conditions, we currently expect the division to achieve an operating margin of at least 15% by the 2015 financial year.

Board changes

We have further strengthened our board with the addition of Shonaid Jemmett-Page as a non-executive director, and Elizabeth Lee as an executive director and group head of legal and regulatory affairs, both with effect from 1 August 2012.

OVERVIEW

Chairman's and Chief Executive's Statement continued

Shonaid Jemmett-Page is currently a non-executive director at GKN plc, APR Energy plc and Amlin plc and has previously held executive positions at Unilever plc and CDC Group plc. Elizabeth Lee joined Close Brothers in 2009 as group legal counsel and company secretary.

Outlook

In an uncertain market environment, we remain confident in the business model and position of each of our businesses.

In the Banking division, we see prospects for continued loan book and profit growth.

Winterflood has continued to experience low levels of market activity but remains well positioned for any improvement in trading conditions.

Asset Management has substantially completed its restructuring and is now positioned to move into profitability during the course of the 2013 financial year.

Overall, the group is well positioned for the current financial year.

FINANCIAL REVIEW

Overview

Group Income Statement

	2012 £ million	2011 £ million	Change %
Continuing operations[1]			
Adjusted operating income	**531.7**	548.5	(3)
Adjusted operating expenses	**(339.9)**	(352.1)	(3)
Impairment losses on loans and advances	**(57.6)**	(65.2)	(12)
Adjusted operating profit	**134.2**	131.2	2
Exceptional items	**5.6**	(46.9)	
Goodwill impairment	**-**	(3.7)	
Amortisation of intangible assets on acquisition	**(4.9)**	(2.1)	
Operating profit before tax	**134.9**	78.5	72
Tax	**(33.5)**	(35.1)	(5)
Non-controlling interests	**(1.7)**	(0.7)	
Profit attributable to shareholders: continuing operations	**99.7**	42.7	133
Loss from discontinued operations	**-**	(27.6)	
Non-controlling interests: discontinued operations	**-**	(0.5)	
Profit attributable to shareholders: continuing and discontinued operations	**99.7**	14.6	
Adjusted basic earnings per share: continuing operations	**67.3p**	64.8p	4
Basic earnings per share: continuing operations	**68.6p**	29.6p	132
Basic earnings per share: continuing and discontinued operations	**68.6p**	10.1p	
Ordinary dividend per share	**41.5p**	40.0p	4

[1]Results from continuing operations for 2011 exclude the UK offshore and Cayman Islands businesses, the sales of which completed in 2011 and which have been classified as discontinued operations under IFRS 5. There were no discontinued operations in the 2012 financial year and all commentary relates to continuing operations except where specified.

Note: Adjusted operating income, expenses, operating profit and earnings per share exclude the effect of exceptional items, goodwill impairment and amortisation of intangible assets on acquisition.

A solid financial performance

The group has demonstrated the strength of its business model and delivered a solid performance in the 2012 financial year in the current market conditions. Overall adjusted operating profit was up 2% to £134.2 million (2011: £131.2 million) reflecting a strong performance from Banking, difficult market conditions for Securities and continued investment in Asset Management.

Adjusted operating income reduced 3% to £531.7 million (2011: £548.5 million) reflecting substantially lower income in Securities as trading conditions remained difficult throughout the year. This offset strong growth in Banking driven by very good demand for lending services and more modest growth in Asset Management principally reflecting the full year effect of prior year acquisitions.

Adjusted operating expenses reduced 3% to £339.9 million (2011: £352.1 million), as we continue to manage costs while investing to ensure we have the capacity and infrastructure to support growth. In Banking, expenses increased reflecting strong loan book growth and ongoing investment in the division's infrastructure. In Securities, our variable cost structure has enabled us to reduce costs without compromising capacity, while in Asset Management, expenses increased modestly in its final year of substantial investment. Overall, the group expense/income ratio increased slightly to 65% (2011: 64%) however the compensation ratio (total staff costs excluding exceptional items on adjusted operating income excluding associate income) was slightly lower at 38% (2011: 40%) reflecting lower performance related costs in Securities.

FINANCIAL REVIEW

Overview continued

Over the last few years, we have focused on maintaining our lending model and credit quality as we grow. During the year impairment losses on loans and advances ("bad debts") reduced £7.6 million to £57.6 million (2011: £65.2 million). As a result, the bad debt ratio improved to 1.5% (2011: 2.1%), principally driven by the Commercial and Property lending businesses.

Overall, adjusted operating profit for the group increased £3.0 million, or 2%, to £134.2 million (2011: £131.2 million) corresponding to an operating margin of 24% (2011: 24%), stable on the prior year, and a return on opening equity of 12.5% (2011: 13.1%). Adjusted operating profit in Banking increased 27% to £135.0 million (2011: £106.3 million) reflecting continued loan book growth and lower bad debt charges. In Securities, both Winterflood and Seydler's performance were impacted by difficult trading conditions which led to a 55% reduction in adjusted operating profit to £24.5 million (2011: £54.8 million). Asset Management delivered a small loss of £4.3 million (2011: loss of £8.6 million).

Divisional Adjusted Operating Profit/(Loss)

	2012		2011[1]		Change
	£ million	**%**	£ million	%	%
Banking	**135.0**	**87**	106.3	70	27
Securities	**24.5**	**16**	54.8	36	(55)
Asset Management	**(4.3)**	**(3)**	(8.6)	(6)	(50)
Total divisions	**155.2**	**100**	152.5	100	2
Group	**(21.0)**		(21.3)		(1)
Adjusted operating profit	**134.2**		131.2		2

[1]Results for 2011 exclude the UK offshore and Cayman Islands businesses, the sales of which completed in 2011 and which have been classified as discontinued operations under IFRS 5.

During the year, we recorded net exceptional income of £5.6 million relating to the reduction in our investment in Mako from 49.9% to 27.3%, principally foreign exchange gains realised on disposal. The prior year included net exceptional charges of £46.9 million, principally relating to the impairment of our investment in Mako and restructuring in Asset Management, and a goodwill impairment charge of £3.7 million in Asset Management. In line with our normal accounting policy, we also recorded a charge for amortisation of intangible assets on acquisition of £4.9 million (2011: £2.1 million).

After exceptional items, goodwill impairment and amortisation of intangible assets on acquisition, operating profit before tax increased significantly to £134.9 million (2011: £78.5 million).

The tax charge for the year was £33.5 million (2011: £35.1 million), corresponding to an effective tax rate of 25% (2011: 45%), in line with the UK corporation tax rate. The prior year tax rate was significantly above the UK corporation tax rate principally due to the impact of £46.4 million of non tax-deductible exceptional items and goodwill impairment in that year.

After tax, profit attributable to shareholders was £99.7 million (2011: £42.7 million), a significant increase on the prior year. As a result, basic earnings per share also increased to 68.6p (2011: 29.6p). Excluding exceptional items and amortisation of intangible assets on acquisition, adjusted basic earnings per share increased 4% to 67.3p (2011: 64.8p).

There were no discontinued operations in the 2012 financial year, however the prior year included a loss from discontinued operations of £27.6 million related to the group's businesses in the UK offshore and Cayman Islands which were sold in that year. As a result, profit attributable to shareholders from continuing and discontinued operations in the prior year was £14.6 million.

FINANCIAL REVIEW

Overview continued

Dividend increase

The board is recommending an increase of 1.0p in the final dividend to 27.5p (2011: 26.5p), resulting in a 4% increase in the total dividend for the year to 41.5p (2011: 40.0p). The final dividend will be paid on 27 November 2012 to shareholders on the register at 19 October 2012.

Balance Sheet

Group Balance Sheet

	31 July 2012 £ million	31 July 2011 £ million
Assets		
Cash and loans and advances to banks	**816.8**	709.3
Settlement balances, long trading positions and loans to money brokers	**598.5**	706.9
Loans and advances to customers	**4,125.9**	3,435.3
Non-trading debt securities	**353.0**	810.2
Intangible assets	**139.7**	133.1
Other assets	**321.9**	313.8
Total assets	**6,355.8**	6,108.6
Liabilities		
Settlement balances, short trading positions and loans from money brokers	**501.7**	585.4
Deposits by banks	**88.0**	192.8
Deposits by customers	**3,448.1**	3,170.5
Borrowings	**1,322.3**	1,125.7
Other liabilities	**225.9**	305.9
Total liabilities	**5,586.0**	5,380.3
Equity	**769.8**	728.3
Total liabilities and equity	**6,355.8**	6,108.6

We remain focused on managing our resources prudently and during the year, we have maintained our strong funding and capital positions. We have also maintained a strong and stable holding of high quality liquidity, while at the same time continuing to increase the overall efficiency of our balance sheet through lower holdings of less liquid debt securities. As a result, total assets increased modestly to £6,355.8 million (31 July 2011: £6,108.6 million) at 31 July 2012, despite strong loan book growth in the year.

Simple, transparent balance sheet

The group's balance sheet is simple and transparent reflecting the straightforward nature of its business activities. Assets principally relate to customer loans and assets held for liquidity purposes by the group's Treasury function. Trading exposures principally relate to short-term market-making positions at Winterflood and Seydler.

In the 2012 financial year, the loan book increased 20% to £4,125.9 million (31 July 2011: £3,435.3 million) and now accounts for 65% (31 July 2011: 56%) of the balance sheet. The quality of our loan book is a core attribute of our business model and our loans are predominantly secured, with prudent loan-to-value ratios. Our loans are generally small and short-term, with an average maturity of 14 months (31 July 2011: 13 months) and the portfolio is diversified with no material concentrations in individual asset classes.

Cash and loans and advances to banks and non-trading debt securities principally relate to the group's Treasury assets and are held primarily for liquidity purposes.

FINANCIAL REVIEW

Overview continued

Our holding of cash and loans and advances to banks increased in the year to £816.8 million (31 July 2011: £709.3 million), reflecting an increase in deposits at the Bank of England as we continue to focus on maintaining an appropriate level of high quality liquidity.

At the same time, non-trading debt securities reduced to £353.0 million (31 July 2011: £810.2 million) as we continued to reduce our holding of less liquid debt securities to optimise balance sheet efficiency. Our debt securities are high quality, UK and international floating rate notes ("FRNs") and certificates of deposit ("CDs") as well as UK gilts, and do not include debt issued by financial institutions or sovereigns in the Eurozone.

Assets and liabilities that relate to the market-making businesses are predominantly short-term settlement balances and equity and debt trading positions. In the year these reduced to £598.5 million (31 July 2011: £706.9 million) on the asset side and £501.7 million (31 July 2011: £585.4 million) on the liability side, reflecting lower trading activity at the balance sheet date.

Liabilities on the balance sheet principally comprise funding for the loan book and for the group's liquid asset holdings in the form of customer deposits and borrowings. Customer deposits increased 9% to £3,448.1 million (31 July 2011: £3,170.5 million) reflecting growth in term retail deposits. Borrowings include loans and overdrafts from banks, a group bond, securitisations and subordinated loan capital, and increased £196.6 million to £1,322.3 million (31 July 2011: £1,125.7 million) to fund loan book growth.

Shareholders' equity increased £41.5 million to £769.8 million (31 July 2011: £728.3 million) reflecting the increase in profit attributable to shareholders to £99.7 million, partly offset by dividend payments during the year of £58.3 million, while the net effect of other reserve movements was neutral.

Prudent and efficient funding

The objective of the group's Treasury function is to fund the loan book prudently with a focus on diversity and maturity, while maintaining an appropriate level of high quality liquidity.

During the year, the group has maintained good access to a diverse range of funding sources and further increased both its wholesale funding and its deposit base. Total group funding at 31 July 2012 increased £457.1 million to £5,859.1 million (31 July 2011: £5,402.0 million), equivalent to 142% (2011: 157%) of the loan book.

Group Funding Overview

	31 July 2012 £ million	31 July 2011 £ million	Change £ million
Deposits by customers	**3,448.1**	3,170.5	277.6
Drawn and undrawn facilities[1]	**1,436.7**	1,305.1	131.6
Group bond	**204.5**	198.1	6.4
Equity	**769.8**	728.3	41.5
Total available funding	**5,859.1**	5,402.0	457.1

[1]Includes £331.9 million (31 July 2011: £410.2 million) of undrawn facilities and excludes £13.0 million (31 July 2011: £32.7 million) of non-facility overdrafts included in borrowings.

Customer deposits increased £277.6 million to £3,448.1 million (31 July 2011: £3,170.5 million) reflecting growth in term, retail deposits as the group's Treasury expanded its savings product offering. The group's corporate deposit base remained stable in the year.

Drawn and undrawn bank facilities also increased £131.6 million to £1,436.7 million (31 July 2011: £1,305.1 million). This includes £500 million raised through a new securitisation facility on the motor

FINANCIAL REVIEW

Overview continued

finance loan book, which was partly offset by maturities of smaller facilities. We also renewed around £450 million of facilities which were due to mature in the period.

Group Funding Maturity Profile

	Less than one year £ million	One to two years £ million	Greater than two years £ million	Total £ million
Deposits by customers	2,269.0	956.1	223.0	3,448.1
Drawn and undrawn facilities[1]	825.3	536.4	75.0	1,436.7
Group bond	6.1	-	198.4	204.5
Equity	-	-	769.8	769.8
Total available funding at 31 July 2012	**3,100.4**	**1,492.5**	**1,266.2**	**5,859.1**
Total available funding at 31 July 2011	2,941.4	982.8	1,477.8	5,402.0

[1]Includes £331.9 million (31 July 2011: £410.2 million) of undrawn facilities and excludes £13.0 million (31 July 2011: £32.7 million) of non-facility overdrafts included in borrowings.

We are committed to maintaining a prudent maturity profile of funding relative to the loan book. During the period we increased our term funding, with a residual maturity greater than one year, by £298.1 million to £2,758.7 million (31 July 2011: £2,460.6 million), principally through additional term retail deposits. At the balance sheet date this term funding covered 67% (31 July 2011: 72%) of the loan book. This ratio fluctuates depending on the timing of new funding raised and renewals, but remains consistent with our conservative risk appetite.

The weighted average maturity of this term funding, excluding equity, at 27 months (31 July 2011: 36 months) continues to be substantially longer than the loan book with a maturity of 14 months (31 July 2011: 13 months). The reduction in average maturity reflects funding movements in the period, including the new £500 million securitisation which had a maturity of just over 12 months at the balance sheet date.

Good level of high quality liquidity

Treasury Assets

	31 July 2012 £ million	31 July 2011 £ million	Change £ million
Gilts	**100.1**	228.8	(128.7)
Bank of England deposits	**706.8**	594.4	112.4
High quality liquid assets	**806.9**	823.2	(16.3)
Certificates of deposit	**130.3**	284.5	(154.2)
Floating rate notes	**122.6**	296.9	(174.3)
Total Treasury assets	**1,059.8**	1,404.6	(344.8)

We have maintained a strong liquidity position, which is comfortably ahead of the FSA's liquidity requirements and our own internal policies. In the year, total high quality liquid assets were broadly stable at £806.9 million (31 July 2011: £823.2 million) and comprised £706.8 million (31 July 2011: £594.4 million) of Bank of England deposits and £100.1 million (31 July 2011: £228.8 million) of gilts.

At the same time, we reduced our holding of less liquid debt securities as we continued to focus on the quality of our liquidity while optimising balance sheet efficiency and as a result, overall treasury assets reduced £344.8 million to £1,059.8 million (31 July 2011: £1,404.6 million). Our CD portfolio reduced £154.2 million to £130.3 million (31 July 2011: £284.5 million) as maturities in the period were not replaced. In addition, we continued to reduce the FRN portfolio to £122.6 million (31 July 2011: £296.9 million) reflecting maturities in the period. The portfolio had an average residual maturity of 12 months (31 July 2011: 15 months) at 31 July 2012.

FINANCIAL REVIEW

Overview continued

Close Brothers Group plc and Close Brothers Limited ("CBL"), the group's regulated banking subsidiary, have credit ratings from Fitch Ratings ("Fitch") and Moody's Investors Services ("Moody's"). Fitch has maintained the ratings for Close Brothers Group plc and CBL at A/F1, both with stable outlooks. In July 2012, Moody's downgraded both Close Brothers Group plc and CBL by one notch to Baa1/P2 and A3/P2 respectively, both with unchanged negative outlooks. Moody's decision was based on strong loan book growth and the weak outlook for the UK economy, although recognising the group's consistently strong financial performance, the secured nature of our lending, our stable funding base and our strong capital position. We do not expect this rating change to materially impact our ability to access funding going forward.

Maintained strong capital position

Group Capital Position

	31 July 2012 £ million	31 July 2011 £ million
Core tier 1 capital ratio	**12.8%**	13.1%
Total capital ratio	**14.5%**	14.9%
Leverage ratio	**9.7%**	9.5%
Core tier 1 capital	**620.8**	588.5
Total regulatory capital	**702.9**	669.1
Risk weighted assets	**4,859.7**	4,493.0

We have maintained a strong capital position while continuing to employ capital in the loan book. The group's core tier 1 capital and leverage ratios remain comfortably above regulatory minimum requirements and industry benchmarks.

At 31 July 2012, the group had a core tier 1 capital ratio of 12.8% (31 July 2011: 13.1%), a modest reduction on the prior year despite strong loan book growth and reduced profits in Securities. This is an increase from 12.3% at 31 January 2012 partly reflecting the timing of interim and full year dividend payments in the year, and we expect a broadly similar profile in the core tier 1 capital ratio in the 2013 financial year. The group does not expect its core tier 1 capital ratio to be materially impacted by the implementation of Basel III, given that it does not have complex trading exposures which give rise to higher credit and counterparty risk weightings, and does not have material deferred tax assets which are subject to new capital deductions.

In the 2012 financial year, core tier 1 capital increased 5% to £620.8 million (31 July 2011: £588.5 million) principally reflecting an increase in retained earnings partially offset by dividend payments. Overall risk weighted assets increased 8% in the year to £4,859.7 million (31 July 2011: £4,493.0 million). This primarily reflects an increase in credit and counterparty assets due to strong loan book growth, partially offset by the lower holding of debt securities. Risk weighted assets related to operational risk also reduced reflecting lower trading activity in Securities.

The leverage ratio, defined as core tier 1 capital as a percentage of total balance sheet assets adjusting for intangible assets and certain off-balance sheet exposures, increased to 9.7% (31 July 2011: 9.5%) as the growth rate in total balance sheet assets was lower than the growth in the capital base. The leverage ratio is a transparent measure of capital strength which is not affected by risk weightings and taken together, our leverage and core tier 1 capital ratios demonstrate the strength and quality of our capital base.

BUSINESS REVIEW

Banking

The strategy of the Banking division is to capture sustainable growth opportunities while maintaining the distinctive, specialist lending model that underpins our track record of profitability through the economic cycle.

The key strategic priorities for the division are unchanged:

- Expanding our client franchise
- Maintaining a consistent approach to lending and loan book quality
- Managing resources for growth

Overview of 2012 financial performance

Key Financials

	2012	2011	Change
	£ million	£ million	%
Adjusted operating income	**361.5**	326.0	11
Net interest and fees on loan book	**354.0**	312.3	13
Retail	**144.9**	128.8	13
Commercial	**161.1**	140.6	15
Property	**48.0**	42.9	12
Treasury and other non-lending income	**7.5**	13.7	(45)
Adjusted operating expenses	**(168.9)**	(154.5)	9
Impairment losses on loans and advances	**(57.6)**	(65.2)	(12)
Adjusted operating profit	**135.0**	106.3	27

Key Performance Indicators

Net interest margin[1]	**9.4%**	9.8%
Bad debt ratio[2]	**1.5%**	2.1%
Expense/income ratio[3]	**47%**	47%
Return on opening equity[4]	**22%**	21%

[1] Net interest and fees on average net loans and advances to customers.
[2] Impairment losses on average net loans and advances to customers.
[3] Adjusted operating expenses on adjusted operating income.
[4] Adjusted operating profit after tax and non-controlling interests on opening equity.

The Banking division achieved another strong result as we continued to make the most of strong demand and limited competition and increased the loan book to £4.1 billion (31 July 2011: £3.4 billion).

Adjusted operating income increased 11% to £361.5 million (2011: £326.0 million) driven by 13% growth in net interest and fees on the loan book, with growth spread across Retail, Commercial and Property. Treasury and other income reduced to £7.5 million (2011: £13.7 million) as we focus on funding the loan book and holding high quality liquid assets.

Adjusted operating expenses increased 9% to £168.9 million (2011: £154.5 million), reflecting increased volume related costs and ongoing investment in infrastructure to support the division's growth.

Bad debt charges reduced to £57.6 million (2011: £65.2 million) as the credit quality of the loan book continued to improve.

BUSINESS REVIEW

Banking continued

As a result, adjusted operating profit increased 27% to £135.0 million (2011: £106.3 million), corresponding to an operating margin of 37% (2011: 33%), and we maintained a strong return on opening equity of 22% (2011: 21%).

Expanding our client franchise

We achieved loan book growth of 20% overall driven by strong demand and limited competition in many of our markets. Across our businesses we continue to experience good demand from both new and existing clients, with high levels of repeat business, driven by our local presence, strong client relationships and service led approach.

Loan Book Analysis

	31 July 2012 £ million	31 July 2011 £ million	Change %
Retail	**1,707.8**	1,481.5	15
Motor finance	**1,086.8**	870.8	25
Premium finance	**621.0**	610.7	2
Commercial	**1,635.9**	1,390.7	18
Asset finance	**1,327.2**	1,079.2	23
Invoice finance	**308.7**	311.5	(1)
Property	**782.2**	563.1	39
Closing loan book	**4,125.9**	3,435.3	20

In Retail, the loan book increased 15% to £1.7 billion (31 July 2011: £1.5 billion) as motor finance increased 25%, benefiting from continued strong demand, limited competition and increased geographic coverage. Premium finance increased 2%, with good growth from personal lines but lower demand in commercial lines.

The Commercial loan book increased 18% to £1.6 billion (31 July 2011: £1.4 billion), driven by 23% growth in asset finance, reflecting continued strong demand for specialist lending services and limited competition. Invoice finance was broadly flat as it continues to maintain consistent lending criteria notwithstanding ongoing high levels of competition in its market.

Following a period of slower growth, the Property loan book increased 39% to £0.8 billion (31 July 2011: £0.6 billion), reflecting increasing demand for residential property development and bridging finance, as very low levels of competition have allowed us to achieve significant growth while lending selectively and continuing to improve the quality of our loan book.

Overall, the composition of our loan book remains broadly unchanged, with Retail accounting for 41% (31 July 2011: 43%), Commercial for 40% (31 July 2011: 41%) and Property 19% (31 July 2011: 16%).

Maintaining a consistent approach to lending and loan book quality

As we continue to grow, our priority is to maintain our predominantly secured, distinctive lending model and we continue to apply prudent, consistent criteria to our lending decisions. As a result, all key ratios and the overall shape of the loan book remain consistent with their historical ranges.

The net interest margin was 9.4% (2011: 9.8%), slightly above the ten year average of 9.2%. This is a modest reduction on the ten year high achieved in the prior year, partly reflecting the ongoing change in mix of loan book growth.

BUSINESS REVIEW

Banking continued

The bad debt ratio improved to 1.5% (2011: 2.1%), reflecting a continued improvement in credit quality across the loan book, and is slightly below the ten year average of 1.6%. The bad debt ratio in Retail remains at historically low levels while it reduced in both Commercial and Property. The return on the net loan book (adjusted operating profit before tax on average net loans and advances to customers) improved to 3.6% (2011: 3.3%).

Our focus on credit quality is supported by strong credit approval processes at both local and divisional level, and our integrated local teams have end to end responsibility for loans from origination to collection. In addition, during the year we completed the rollout of a division wide credit management information system which allows us to more effectively review detailed credit information at the divisional, business and individual loan level, adding an additional layer of management control and information to ensure we continue to protect our credit quality as the business grows.

Managing resources for growth

As we grow, we have to ensure we maintain the capacity to increase our lending while optimising the efficiency of our business longer term, and we are continuing to invest in central infrastructure and support to effectively manage a larger business.

In the 2012 financial year, adjusted operating expenses increased 9% to £168.9 million (2011: £154.5 million). The expense/income ratio was consistent with the prior year at 47% (2011: 47%) and the compensation ratio was also stable at 27% (2011: 27%). The increase in cost principally reflects increased volume related costs due to strong growth and the associated increase in headcount, particularly in asset and motor finance. We also continued to invest in information and infrastructure projects, including the new credit information system, an integrated IT system and a new common finance platform. This investment accounted for £5 million of the cost increase in the year.

We remain focused on managing our financial resources prudently and have maintained a strong funding, liquidity and capital position, comfortably above regulatory requirements. The group's funding, liquidity and capital is discussed in more detail on pages 10 to 12 of the Financial Review.

BUSINESS REVIEW

Securities

The strategy of the Securities division is to maintain our leading market positions and maximise profitability in all trading conditions. Notwithstanding the recent difficult market conditions, the division has continued to deliver against its key strategic priorities:

- Maximising revenue opportunities in all market conditions
- Managing costs and maximising profitability while maintaining capacity
- Maintaining leading market positions through the cycle

During the period, the group agreed the phased sale to the management team of its entire 49.9% investment in Mako for a consideration of US$40 million and up to US$7.5 million deferred contingent consideration. At 31 July 2012, the group had reduced its holding to 27.3%.

Overview of 2012 financial performance

Key Financials

	2012 £ million	2011 £ million	Change %
Adjusted operating income	**101.4**	158.7	(36)
Winterflood	**73.2**	124.5	(41)
Seydler	**21.0**	31.6	(34)
Mako (associate income after tax)	**7.2**	2.6	177
Adjusted operating expenses	**(76.9)**	(103.9)	(26)
Winterflood	**(57.2)**	(81.3)	(30)
Seydler	**(19.7)**	(22.6)	(13)
Adjusted operating profit	**24.5**	54.8	(55)
Winterflood	**16.0**	43.2	(63)
Seydler	**1.3**	9.0	(86)
Mako (associate income after tax)	**7.2**	2.6	177

Key Performance Indicators

Winterflood income per bargain	**£6.2**	£10.4
Winterflood average bargains per day	**47k**	48k
Operating margin[1]	**18%**	33%
Return on opening equity[2]	**13%**	39%

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

The performance of the Securities division was impacted by difficult market conditions throughout the year, reflecting low client trading activity, sustained low investor risk appetite and periods of high volatility.

Adjusted operating income was £101.4 million (2011: £158.7 million), a reduction of 36% reflecting substantially lower trading income at both Winterflood and Seydler. Adjusted operating expenses overall reduced 26% to £76.9 million (2011: £103.9 million) reflecting the variable cost structure of our Securities businesses. The expense/income ratio was 82% (2011: 67%) and the compensation ratio was 46% (2011: 45%). As a result, overall adjusted operating profit was down 55% to £24.5 million (2011: £54.8 million), corresponding to an operating margin of 18% (2011: 33%).

Securities continued

Maximising revenue opportunities in all market conditions

Market conditions throughout the financial year were characterised by low risk appetite, particularly amongst retail investors, leading to reduced client trading activity across all sectors, particularly in higher margin, less liquid AIM and small cap stocks.

Winterflood's performance is highly sensitive to retail investor trading activity and its adjusted operating income reduced 41% to £73.2 million (2011: £124.5 million).

Despite lower client trading activity, average bargains per day were broadly stable at 46,829 (2011: 47,742) reflecting smaller bargain sizes on order book trades across the market. However, income per bargain was substantially lower at £6.18 (2011: £10.39) reflecting the lower client trading activity and a shift in mix away from higher margin, less liquid stocks.

The experience and expertise of Winterflood's traders and tight risk controls has ensured it continues to maximise the revenue opportunity in all market conditions. While higher than last year, loss days in the last financial year remained relatively modest at 13 days (2011: 1 loss day) out of 253 (2011: 251) trading days.

Seydler's trading business was also impacted by low trading volumes in difficult market conditions and adjusted operating income reduced 34% to £21.0 million (2011: £31.6 million). However, its performance improved slightly in the second half of the year as equity and debt capital markets activity in Germany increased.

Managing costs and maximising profitability while maintaining capacity

Winterflood's business model has a low fixed cost structure reflecting its focus on market-making, which allows it to manage costs and adapt to changing market conditions while maintaining its trading capacity. In the year, adjusted operating expenses reduced 30% to £57.2 million (2011: £81.3 million) principally reflecting lower volume and performance related costs, mitigating some of the revenue reduction. As a result, Winterflood's adjusted operating profit reduced 63% to £16.0 million (2011: £43.2 million).

Seydler also reduced adjusted operating expenses in the period to £19.7 million (2011: £22.6 million), principally through lower volume related costs, and its adjusted operating profit was £1.3 million (2011: £9.0 million).

Mako contributed associate income of £7.2 million (2011: £2.6 million) driven by a short period of high volatility which benefited derivatives markets in the first quarter, followed by a return to more normal trading conditions thereafter.

Maintaining leading market positions through the cycle

The priority for the Securities businesses is to maintain their leading market positions through the cycle so they are well placed to benefit from any market recovery.

During the recent difficult markets, Winterflood has maintained its position as the leading market-maker to retail brokers in the UK, where it deals in over 15,000 UK and international securities across FTSE 100 to AIM and small cap stocks and provides continuous liquidity to over 300 private client brokers.

Seydler is a Frankfurt based specialist floor trading and designated sponsoring business making markets in approximately 2,500 German and international stocks and bonds. It has also maintained its strong market position in Germany and remains well placed for any market recovery.

BUSINESS REVIEW

Asset Management

The Asset Management division has now substantially completed its restructuring and the development of its new client propositions. In the last year we have made good progress on our strategic priorities for the division:

- Focusing on managed and advised private clients
- Developing our client propositions, platform and infrastructure

Over the next few years, our focus will be on increasing sales of our new propositions to new and existing clients while stabilising the cost base, to drive revenue and profit growth.

Overview of 2012 financial performance

Key Financials

	2012 £ million	2011 £ million	Change %
Adjusted operating income	**69.6**	63.8	9
Income on AuM	**68.5**	58.4	17
Advice and other services[1]	**30.6**	17.5	75
Investment management	**37.9**	40.9	(7)
Other income[2]	**1.1**	5.4	(80)
Adjusted operating expenses	**(73.9)**	(72.4)	2
Adjusted operating loss	**(4.3)**	(8.6)	(50)

Key Performance Indicators

Net inflows (£ million)[3]	**284**	249	
Revenue margin (bps)[4]	**77**	71	
Operating margin	**(6)%**	(13)%	
Return on opening equity[5]	**(2)%**	(9)%	

Note: Prior year income numbers have been represented to reflect the division's increased focus on the managed and advised private client business.

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

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

[3] Private clients only.

[4] Income from advice and other services and investment management over average AuM.

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

The Asset Management division made a small operating loss in the 2012 financial year, reflecting the final stage of its restructuring.

At 31 July 2012, total AuM was £8.3 billion (31 July 2011: £9.6 billion), which reflects a continued reduction in institutional assets consistent with our strategic focus on private clients. With the division's restructuring now substantially complete, we have introduced new disclosures for the division's AuM and income, and we will no longer be reporting institutional AuM separately.

Adjusted operating income increased 9% to £69.6 million (2011: £63.8 million). This reflects an increase in income on AuM to £68.5 million (2011: £58.4 million), due to acquisitions made in the 2011 and 2012 financial years. Other income reduced to £1.1 million (2011: £5.4 million) reflecting income from the residual interest in the group's former private equity operations in the prior year.

Asset Management continued

Adjusted operating expenses increased modestly to £73.9 million (2011: £72.4 million) in the division's final year of substantial investment. Overall the division's operating loss reduced to £4.3 million (2011: loss of £8.6 million).

Focusing on managed and advised private clients

Movement in Assets under Management

	£ million
At 1 August 2011	9,558
Inflows	988
Outflows	(1,974)
Net outflows	(986)
Acquisitions and disposals	(25)
Market movement	(227)
At 31 July 2012	**8,320**
Change	(13)%

The division has substantially completed its restructuring to focus principally on the private client market and private client assets now account for the significant majority of our AuM. Overall, AuM reduced 13% to £8.3 billion (31 July 2011: £9.6 billion), reflecting the continued reduction in the institutional business which is no longer a strategic focus for the group. This includes £1.3 billion of net institutional outflows reflecting client redemptions and closure of non-core funds, and the disposal of OLIM's property fund management business with £355 million of AuM.

The private clients business continued to experience good organic growth, with net inflows of £284 million (2011: £249 million), coming through both our own advisers and third parties. We also acquired £330 million of private client AuM, including Scott-Moncrieff Wealth Management, an IFA with £280 million of client assets, and a further small book of client assets.

Market movements were modestly negative, reflecting a continued challenging market environment, the defensive positioning of our client portfolios and the timing of institutional outflows in the period. In the year to 30 June 2012, all five of our direct funds achieved a first or second quartile performance, and over half of our bespoke portfolio AuM achieved first quartile performance within their respective ARC peer groups.

Assets under Management by type

	31 July 2012 £ million	31 July 2011 £ million	Change %
Total AuM	**8,320**	9,558	(13)
Advised AuM[1]	**4,639**	4,290	8
Managed AuM[2]	**5,332**	6,918	(23)
Both advised and managed AuM	***1,651***	*1,650*	-

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

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

Consistent with our new integrated client proposition, we have introduced new disclosure for AuM:

- **Advised AuM** includes all our personal and corporate advised and self-directed client assets, including those which are also managed by Close Brothers. At 31 July 2012 total advised AuM was £4.6 billion (31 July 2011: £4.3 billion), an increase on the prior year reflecting the acquisition of Scott-Moncrieff and inflows into the advised business.

BUSINESS REVIEW

Asset Management continued

- **Managed AuM** includes all client assets which are invested in Close Brothers' investment products, including funds, separately managed accounts, and bespoke high net worth client portfolios. At 31 July 2012, these were £5.3 billion (31 July 2011: £6.9 billion). Although sales of our investment funds have grown, the reduction in managed AuM reflects the reduction in institutional assets in the year.

At the financial year end, £1.7 billion (31 July 2011: £1.7 billion), or 36% (31 July 2011: 38%) of advised client assets were also managed by Close Brothers, and included in both advised and managed AuM above as they generate both advice and investment management income. Our objective is to grow this proportion over time, as we increase sales of our new integrated proposition which combines our financial advice and investment management offerings.

Developing out client propositions, platform and infrastructure

Over the last few years we have made significant investment in our client propositions, as well as strengthening our distribution capacity, infrastructure and management capability, to drive future growth and support a larger business. In the last financial year we completed the development of our advised and self directed client propositions and technology platform, which accounted for a total of £20 million of non-recurring investment in the last three years, of which £16 million has been expensed through the income statement.

Overall, adjusted operating expenses increased 2% to £73.9 million (2011: £72.4 million), as a reduction in non-recurring investment spend to £2 million (2011: £8 million) was more than offset by the effect of acquisitions. This is equivalent to an expense/income ratio of 106% (2011: 113%), with a compensation ratio of 64% (2011: 65%). The phase of significant investment is now complete and going forward, we expect the division's fixed cost base to stabilise.

Driving revenue growth from new and existing clients

Our AuM generate two principal types of income: income from advice and other services and investment management income.

In the 2012 financial year, income from advice and other services increased substantially to £30.6 million (2011: £17.5 million), principally reflecting acquisitions in the two prior years. This represents a revenue margin on total advised assets of 68 bps (2011: 60 bps), an increase on the prior year principally due to the timing of acquisitions.

Investment management income reduced 7% to £37.9 million (2011: £40.9 million). This reflects the reduction in institutional assets in the period, and represents a revenue margin of 62 bps (2011: 59 bps) on total managed assets.

Overall income on AuM increased 17% to £68.5 million (2011: £58.4 million), corresponding to a revenue margin of 77 bps (2011: 71 bps). This overall margin is higher than the advised and managed revenue margins, due to the £1.7 billion of assets which generate both advice and investment management income.

We expect the overall revenue margin for the division to rise to around 100 bps by the 2015 financial year, principally by increasing the proportion of assets which are both managed and advised and expanding the advice margin on new business.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 July 2012

	Note	**2012 £ million**	2011 £ million
Continuing operations			
Interest income		**412.2**	360.5
Interest expense		**(141.3)**	(129.6)
Net interest income		**270.9**	230.9
Fee and commission income		**167.0**	175.9
Fee and commission expense		**(21.1)**	(19.2)
Gains less losses arising from dealing in securities		**78.8**	132.2
Share of profit of associates		**7.2**	2.6
Other income		**28.9**	26.1
Non-interest income		**260.8**	317.6
Operating income		**531.7**	548.5
Administrative expenses		**(339.9)**	(352.1)
Impairment losses on loans and advances	9	**(57.6)**	(65.2)
Total operating expenses before exceptional items, goodwill impairment and amortisation of intangible assets on acquisition		**(397.5)**	(417.3)
Operating profit before exceptional items, goodwill impairment and amortisation of intangible assets on acquisition		**134.2**	131.2
Exceptional items	3	**5.6**	(46.9)
Goodwill impairment		**-**	(3.7)
Amortisation of intangible assets on acquisition		**(4.9)**	(2.1)
Operating profit before tax		**134.9**	78.5
Tax	4	**(33.5)**	(35.1)
Profit after tax from continuing operations		**101.4**	43.4
Loss for the period from discontinued operations, net of tax	5	**-**	(27.6)
Profit for the year		**101.4**	15.8
Profit attributable to non-controlling interests from continuing operations		**1.7**	0.7
Profit attributable to non-controlling interests from discontinued operations		**-**	0.5
Profit attributable to the shareholders of the company		**99.7**	14.6
From continuing operations			
Basic earnings per share	7	**68.6p**	29.6p
Diluted earnings per share	7	**67.5p**	29.0p
From continuing and discontinued operations			
Basic earnings per share	7	**68.6p**	10.1p
Diluted earnings per share	7	**67.5p**	9.9p
Interim dividend per share paid	8	**14.0p**	13.5p
Final dividend per share	8	**27.5p**	26.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2012

	2012 £ million	2011 £ million
Profit for the year	**101.4**	15.8
Other comprehensive income from continuing operations		
Currency translation losses	**(2.2)**	(2.1)
(Losses)/gains on cash flow hedging	**(2.3)**	0.6
Other losses	**(3.8)**	(0.7)
Gains/(losses) on financial instruments classified as available for sale:		
Gilts	**1.1**	-
Floating rate notes	**7.6**	2.8
Equity shares	**0.3**	(0.2)
Transfer to income statement of realised currency translation gain	**(7.3)**	-
Other comprehensive (expense)/income for the year, net of tax, from continuing operations	**(6.6)**	0.4
Total comprehensive income for the year	**94.8**	16.2
Attributable to		
Non-controlling interests	**1.7**	1.2
Shareholders	**93.1**	15.0
	94.8	16.2

CONSOLIDATED BALANCE SHEET
at 31 July 2012

	Note	**2012 £ million**	2011 £ million
Assets			
Cash and balances at central banks		**706.8**	594.5
Settlement balances		**442.0**	551.1
Loans and advances to banks		**110.0**	114.8
Loans and advances to customers	9	**4,125.9**	3,435.3
Debt securities	10	**406.4**	852.8
Equity shares	11	**52.9**	57.1
Loans to money brokers against stock advanced		**68.7**	75.3
Derivative financial instruments		**50.6**	45.2
Investment in associate	17	**21.8**	33.4
Intangible assets	12	**139.7**	133.1
Property, plant and equipment		**75.0**	62.2
Deferred tax assets		**28.0**	26.7
Prepayments, accrued income and other assets		**128.0**	127.1
Total assets		**6,355.8**	6,108.6
Liabilities			
Settlement balances and short positions	14	**465.5**	521.8
Deposits by banks	15	**88.0**	192.8
Deposits by customers	15	**3,448.1**	3,170.5
Loans and overdrafts from banks	15	**205.0**	502.6
Debt securities in issue	15	**1,040.0**	548.1
Loans from money brokers against stock advanced		**36.2**	63.6
Derivative financial instruments		**44.2**	45.3
Accruals, deferred income and other liabilities		**181.7**	260.6
Subordinated loan capital		**77.3**	75.0
Total liabilities		**5,586.0**	5,380.3
Equity			
Called up share capital		**37.6**	37.6
Share premium account		**283.4**	283.0
Retained earnings		**454.3**	416.2
Other reserves		**(9.2)**	(10.4)
Total shareholders' equity		**766.1**	726.4
Non-controlling interests in equity		**3.7**	1.9
Total equity		**769.8**	728.3
Total liabilities and equity		**6,355.8**	6,108.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2012

				Other reserves						
	Called up share capital £ million	Share premium account £ million	Retained earnings £ 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 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 (expense)/income	-	-	(0.7)	2.6	-	(2.1)	0.6	0.4	-	0.4
Total comprehensive income/(expense) 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
Profit for the year	-	-	99.7	-	-	-	-	99.7	1.7	101.4
Other comprehensive (expense)/income	-	-	(3.8)	9.0	-	(9.5)	(2.3)	(6.6)	-	(6.6)
Total comprehensive income/(expense) for the year	-	-	95.9	9.0	-	(9.5)	(2.3)	93.1	1.7	94.8
Exercise of options	-	0.1	-	-	-	-	-	0.1	-	0.1
Dividends paid	-	-	(58.3)	-	-	-	-	(58.3)	(0.1)	(58.4)
Shares purchased	-	-	-	-	(10.3)	-	-	(10.3)	-	(10.3)
Shares issued	-	0.3	-	-	-	-	-	0.3	-	0.3
Shares released	-	-	-	-	8.3	-	-	8.3	-	8.3
Other movements	-	-	0.5	-	6.0	-	-	6.5	0.2	6.7
At 31 July 2012	**37.6**	**283.4**	**454.3**	**6.5**	**(19.0)**	**8.6**	**(5.3)**	**766.1**	**3.7**	**769.8**

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2012

	Note	**2012 £ million**	2011 £ million
Net cash inflow from operating activities	18(a)	**63.4**	67.9
Net cash outflow from investing activities			
Dividends received from associate		**8.7**	2.5
Purchase of:			
Assets let under operating leases		**(29.4)**	(26.8)
Property, plant and equipment		**(8.8)**	(9.5)
Intangible assets - software		**(13.9)**	(7.2)
Equity shares held for investment		**(0.3)**	(0.5)
Subsidiaries	18(b)	**(5.1)**	(39.0)
Sale of:			
Property, plant and equipment		**4.6**	5.2
Equity shares held for investment		**0.2**	20.7
Subsidiaries and associate	18(c)	**12.6**	(231.0)
		(31.4)	(285.6)
Net cash inflow/(outflow) before financing		**32.0**	(217.7)
Financing activities			
Issue of ordinary share capital, net of transaction costs	18(d)	**0.4**	0.2
Purchase of own shares for employee share award schemes		**(10.3)**	(0.3)
Equity dividends paid		**(58.3)**	(55.7)
Dividends paid to non-controlling interests		**(0.1)**	(0.4)
Interest paid on subordinated loan capital and debt financing		**(18.6)**	(5.6)
Debt securities redeemed		**-**	(20.5)
Net decrease in cash		**(54.9)**	(300.0)
Cash and cash equivalents at beginning of year		**983.2**	1,283.2
Cash and cash equivalents at end of year	18(e)	**928.3**	983.2

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 2012 or 31 July 2011 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 2011. 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 2012.

The financial information for the year ended 31 July 2012 has been derived from the audited financial statements of Close Brothers Group plc for that year. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the company's Annual General Meeting. The auditor, Deloitte LLP, has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

2. Segmental analysis

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

THE NOTES

2. Segmental analysis continued

Summary Income Statement for the year ended 31 July 2012

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

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

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

	2012 £ million	2011 £ million
Banking		
Retail	**144.9**	128.8
Commercial	**161.1**	140.6
Property	**48.0**	42.9
Treasury and other non-lending income	**7.5**	13.7
Securities		
Market-making and related activities	**101.4**	158.7
Asset Management[1]		
Advice and other services	**30.6**	17.5
Investment management	**37.9**	40.9
Other income	**1.1**	5.4
Group	**(0.8)**	-
Operating income before exceptional items (continuing operations)	**531.7**	548.5
Discontinued operations	**-**	31.5
Operating income before exceptional items	**531.7**	580.0

[1]Prior year income numbers have been represented to reflect key management's focus on the managed and advised private client business.

THE NOTES

2. Segmental analysis continued

Summary Balance Sheet at 31 July 2012

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

[1]£39.6 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.

THE NOTES

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 (expense)/income	(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 NOTES

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
Investment in associate	-	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.

3. Exceptional items

	2012 £ million	2011 £ million
Disposal of Mako	**5.6**	(36.0)
Investment gains	**-**	4.5
Restructuring costs	**-**	(15.4)
	5.6	(46.9)

THE NOTES

3. Exceptional items continued

On 16 September 2011, the group announced the phased sale of its 49.9% investment in Mako to the Mako management team. As an adjusting post balance sheet event at 31 July 2011 the £36.0 million impairment 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%. The first phase of the sale completed on 31 October 2011 reducing the holding to 33.3%. The second phase of the sale completed on 30 April 2012 reducing the holding to 27.3%. The £5.6 million exceptional income in the year to 31 July 2012 principally reflects realised foreign exchange gains on the partial disposal. For further details on our Investment in associate, see note 17.

In the year to 31 July 2011 investment gains relates to the group's redemption of its investment in Pelagus Capital Fund Inc. and 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 £nil (2011: credit of £1.2 million).

4. Tax expense

	2012 £ million	2011 £ million
Tax charged/(credited) to the income statement		
Current tax:		
UK corporation tax	**34.9**	38.7
Foreign tax	**0.5**	3.0
Adjustments in respect of previous years	**(0.5)**	(4.7)
	34.9	37.0
Deferred tax:		
Deferred tax credit for the current year	**(1.5)**	(5.5)
Adjustments in respect of previous years	**0.1**	3.6
Tax charge	**33.5**	35.1
Tax on items not charged/(credited) to the income statement		
Current tax relating to:		
Financial instruments classified as available for sale	**3.3**	0.4
Share-based transactions	**(0.3)**	(0.7)
Deferred tax relating to:		
Cash flow hedging	**(0.6)**	0.6
Financial instruments classified as available for sale	**(0.2)**	-
Share-based transactions	**0.3**	(0.3)
	2.5	-
Reconciliation to tax expense		
UK corporation tax for the year at 25.3% (2011: 27.3%) on operating profit	**34.2**	21.5
Impairment of goodwill, associate and investment assets	**0.3**	10.9
Gain on sale of subsidiary and associate	**(1.1)**	-
Effect of different tax rates in other jurisdictions	**(0.8)**	(0.9)
Share of associates consolidated at profit after tax	**(1.8)**	(0.7)
Disallowable items and other permanent differences	**0.9**	2.7
Deferred tax impact of reduced UK corporation tax rate	**2.2**	2.7
Prior year tax provision	**(0.4)**	(1.1)
	33.5	35.1

THE NOTES

4. Tax expense continued

The effective tax rate for the year is 24.8% (2011: 44.7%) which is slightly below the UK corporation tax rate of 25.3% (2011: 27.3%). The effective tax rate is reduced by inclusion of the share of profit of associates in the Consolidated Income Statement on an after tax basis, net lower tax rates applied to profit arising outside the UK and a non-taxable gain on the sale of a subsidiary and an associate. These effects are mostly offset by increases in the effective tax rate from a reduction in the deferred tax asset due to a reduction in the standard UK corporation tax rate applicable for future periods and disallowable expenditure.

5. Discontinued operations

There were no discontinued operations in the 2012 financial year.

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:

	2012 £ million	2011 £ million
Results of discontinued operations		
Operating income	-	31.5
Operating expenses	-	(29.5)
Goodwill impairment	-	(4.5)
Operating loss before tax	-	(2.5)
Tax	-	(0.2)
Loss after tax	-	(2.7)
Loss on disposal of discontinued operations, net of tax	-	(24.9)
Loss for the period from discontinued operations	-	(27.6)

	2012 £ million	2011 £ million
Cash flow from discontinued operations		
Net cash flow from operating activities	-	4.0
Net cash flow from investing activities	-	(1.9)
Net cash flow from financing activities	-	(0.4)

6. Acquisitions

2012 acquisitions

On 31 October 2011, the group acquired 100% of Scott-Moncrieff Wealth Management Limited, a Scottish Independent Financial Adviser (“IFA”) with £278 million of client assets, for cash consideration of £4.1 million for the equity of the business and £0.6 million for cash on the balance sheet.

This acquisition 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 has not been disclosed.

THE NOTES

6. Acquisitions continued

2011 acquisitions

On 10 September 2010 the group acquired 100% of Chartwell Group Limited, an 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.

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

Prior year acquisition related costs of £1.2 million are included within restructuring costs in 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, contributed £7.9 million to operating income and £0.8 million, including £0.2 million of exceptional expenses, to operating profit before tax in the 2011 financial year.

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 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.

	2012	2011
Earnings per share		
Continuing operations[1]		
Basic	**68.6p**	29.6p
Diluted	**67.5p**	29.0p
Adjusted basic[2]	**67.3p**	64.8p
Adjusted diluted[2]	**66.3p**	63.6p
Continuing and discontinued operations		
Basic	**68.6p**	10.1p
Diluted	**67.5p**	9.9p

[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.

	2012 £ million	2011 £ million
Profit attributable to shareholders	**99.7**	14.6
Loss for the period from discontinued operations including non-controlling interests	**-**	(28.1)
Profit attributable to shareholders on continuing operations	**99.7**	42.7
Adjustments:		
Exceptional items	**(5.6)**	46.9
Goodwill impairment	**-**	3.7
Amortisation of intangible assets on acquisition	**4.9**	2.1
Tax effect of adjustments	**(1.1)**	(1.7)
Adjusted profit attributable to shareholders on continuing operations	**97.9**	93.7

	2012 million	2011 million
Average number of shares		
Basic weighted	**145.4**	144.5
Effect of dilutive share options and awards	**2.2**	2.9
Diluted weighted	**147.6**	147.4

The basic earnings per share from discontinued operations is nil (2011: loss of 19.4p) and the diluted earnings per share from discontinued operations is nil (2011: loss of 19.1p).

Adjusted basic earnings per share on a continuing and discontinued operations basis was 67.3p (2011: 65.7p), based on adjusted profit attributable to shareholders on continuing and discontinued operations of £97.9 million (2011: £95.0 million).

THE NOTES

8. Dividends

	2012 £ million	2011 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2011: 26.5p (2010: 25.5p)	**38.1**	36.4
Interim dividend for current financial year paid in April 2012: 14.0p (2011: 13.5p)	**20.2**	19.3
	58.3	55.7

A final dividend relating to the year ended 31 July 2012 of 27.5p, amounting to an estimated £39.7 million, is proposed. This final dividend, which is due to be paid on 27 November 2012, 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 2012	**25.4**	**1,146.1**	**1,352.6**	**777.9**	**861.3**	**32.9**	**(70.3)**	**4,125.9**
At 31 July 2011	32.7	1,060.7	1,143.7	620.8	658.3	12.8	(93.7)	3,435.3

	2012 £ million	2011 £ million
Impairment provisions on loans and advances to customers		
At 1 August	**93.7**	87.1
Charge for the year	**57.6**	65.2
Amounts written off net of recoveries	**(81.0)**	(58.6)
Impairment provisions at 31 July	**70.3**	93.7
Loans and advances to customers comprise		
Hire purchase agreement receivables	**1,725.6**	1,380.2
Finance lease receivables	**362.7**	288.0
Other loans and advances	**2,037.6**	1,767.1
	4,125.9	3,435.3

At 31 July 2012, gross impaired loans were £233.6 million (31 July 2011: £314.1 million) and equate to 6% (31 July 2011: 9%) 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.

THE NOTES

10. Debt securities

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

	Held for trading £ 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	-	228.8	-	228.8
At 31 July 2011	42.6	525.7	284.5	852.8

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

	2012		2011	
	Book value £ million	**Fair value £ million**	Book value £ million	Fair value £ million
Certificates of deposit classified as loans and receivables	**130.3**	**130.3**	284.5	284.6

THE NOTES

10. Debt securities continued

Movements on the book value of gilts and floating rate notes comprise:

	Gilts	Floating rate notes		
	Available for sale £ million	Available for sale £ million	Held to maturity £ million	Total £ million
At 1 August 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
Additions	-	-	-	-
Disposals	-	(12.6)	-	(12.6)
Redemptions at maturity	(125.0)	(163.4)	-	(288.4)
Currency translation differences	-	(8.9)	-	(8.9)
Changes in fair value of financial instruments classified as available for sale	(3.7)	10.6	-	6.9
At 31 July 2012	**100.1**	**122.6**	**-**	**222.7**

At 31 July 2012, £48.7 million (31 July 2011: £166.1 million) of floating rate notes (“FRNs”) were due to mature within one year and £19.2 million (31 July 2011: £20.9 million) have been issued by corporates with the remainder issued by banks and building societies.

THE NOTES

11. Equity shares

	2012 £ million	2011 £ million
Equity shares classified as held for trading	**34.4**	37.9
Other equity shares	**18.5**	19.2
	52.9	57.1

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 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
Additions	-	0.3	0.3
Disposals	-	(0.2)	(0.2)
Currency translation differences	(0.5)	-	(0.5)
Changes in fair value of:			
Equity shares classified as available for sale	(0.6)	-	(0.6)
Unlisted equity shares held at fair value	-	0.3	0.3
At 31 July 2012	**13.3**	**5.2**	**18.5**

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12. Intangible assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Total £ million
Cost				
At 1 August 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
Additions	-	13.9	-	13.9
Acquisitions	2.3	-	3.3	5.6
Disposals	(7.6)	(0.5)	(0.1)	(8.2)
Foreign exchange	(0.5)	-	-	(0.5)
At 31 July 2012	**156.0**	**38.7**	**42.4**	**237.1**
Amortisation and impairment				
At 1 August 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
Amortisation charge for the year	-	4.3	4.9	9.2
Disposals	(4.8)	(0.2)	-	(5.0)
Impairment charge	-	-	-	-
At 31 July 2012	**68.0**	**21.5**	**7.9**	**97.4**
Net book value at 31 July 2012	**88.0**	**17.2**	**34.5**	**139.7**
Net book value at 31 July 2011	89.0	7.9	36.2	133.1
Net book value at 1 August 2010	95.6	5.8	6.1	107.5

Intangible assets on acquisition relates to broker and customer relationships. The increase of £3.3 million in 2012 primarily relates to the acquisition of Scott-Moncrieff Wealth Management Limited (2011: £32.2 million relates to the acquisitions of Chartwell Group Limited, Allenbridge Group plc and Cavanagh Group plc).

In the 2012 financial year, £4.9 million (2011: £2.1 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £4.3 million (2011: £1.9 million) of the amortisation charge is included in administrative expenses in the Consolidated Income Statement.

THE NOTES

13. Deferred tax assets

	2012 **£ million**	2011 £ million
Capital allowances	**26.0**	25.3
Employee benefits	**7.1**	10.2
Unrealised capital gains	**(1.7)**	(1.9)
Other	**(3.4)**	(6.9)
	28.0	26.7

Movement in the year:

	£ million
At 1 August 2010	32.8
Credit 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
Credit to the income statement	1.4
Acquisition of intangible assets	(0.6)
Equity movements	0.5
Other movements	-
At 31 July 2012	**28.0**

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

	2012 **£ million**	2011 £ million
Settlement balances	**389.6**	477.8
Short positions held for trading:		
Debt securities	**56.7**	30.4
Equity shares	**19.2**	13.6
	75.9	44.0
	465.5	521.8

THE NOTES

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	47.6	31.2	9.2	-	-	-	**88.0**
Deposits by customers	190.7	1,071.5	1,006.8	956.1	222.2	0.8	**3,448.1**
Loans and overdrafts from banks	13.0	0.1	175.5	16.4	-	-	**205.0**
Debt securities in issue	-	6.6	350.0	485.0	198.4	-	**1,040.0**
At 31 July 2012	**251.3**	**1,109.4**	**1,541.5**	**1,457.5**	**420.6**	**0.8**	**4,781.1**

	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

Of the debt securities in issue, £198.4 million mature on 10 February 2017 and £835.0 million relate to the insurance premium and motor loan receivables securitisations.

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

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
At 31 July 2012	**-**	**-**	**62.4**	**16.4**	**-**	**-**	**78.8**
At 31 July 2011	-	56.8	61.0	69.1	18.2	-	205.1

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16. Capital management

The group's capital ratios remained strong with a core tier 1 capital ratio of 12.8% (31 July 2011: 13.1%) and a total capital ratio of 14.5% (31 July 2011: 14.9%). The decrease in the capital ratios was principally due to an increase in risk weighted assets as a result of growth in the loan book which was partly offset by a reduction in debt securities and notional risk weighted assets for operational risk reflecting lower trading activity in Securities.

Regulatory capital (core tier 1 capital and total capital) increased during the year due to an increase in retained earnings and other reserves. The composition of capital remained stable with 88.3% (31 July 2011: 88.0%) of the total capital consisting of core tier 1 capital.

	2012 £ million	2011 £ million
Core tier 1 capital		
Called up share capital	**37.6**	37.6
Share premium account	**283.4**	283.0
Retained earnings and other reserves	**483.5**	448.9
Non-controlling interests	**3.7**	1.9
Deductions from core tier 1 capital		
Intangible assets	**(139.7)**	(133.1)
Goodwill in associate	**(8.1)**	(12.2)
Investment in own shares	**(39.6)**	(37.6)
Core tier 1 capital after deductions	**620.8**	588.5
Tier 2 capital		
Subordinated debt	**75.0**	75.0
Unrealised gains on available for sale equity shares	**7.3**	7.0
Tier 2 capital	**82.3**	82.0
Deductions from total of tier 1 and tier 2 capital		
Participation in a non-financial undertaking	**-**	(1.3)
Other regulatory adjustments	**(0.2)**	(0.1)
Total regulatory capital	**702.9**	669.1
Risk weighted assets (notional)		
Credit and counterparty risk	**3,973.4**	3,513.7
Operational risk[1]	**745.3**	831.6
Market risk[1]	**141.0**	147.7
	4,859.7	4,493.0
Core tier 1 capital ratio	**12.8%**	13.1%
Total capital ratio	**14.5%**	14.9%

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

THE NOTES

16. Capital continued

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

	2012 £ million	2011 £ million
Equity	**769.8**	728.3
Regulatory deductions from equity:		
Intangible assets	**(139.7)**	(133.1)
Goodwill in associate	**(8.1)**	(12.2)
Other reserves not recognised for core tier 1 capital:		
Cash flow hedging reserve	**5.3**	3.0
Available for sale movements reserve	**(6.5)**	2.5
Core tier 1 capital after deductions	**620.8**	588.5

17. Investment in associate

	2012 £ million	2011 £ million
At 1 August	**33.4**	73.7
Share of profit before tax	**9.8**	3.7
Share of tax	**(2.6)**	(1.1)
Share of profit after tax	**7.2**	2.6
Dividends paid	**(8.7)**	(2.5)
Impairment	**-**	(36.0)
Disposals	**(11.3)**	(0.3)
Foreign exchange revaluation	**1.2**	(4.1)
	(11.6)	(40.3)
At 31 July	**21.8**	33.4

At 31 July 2012, the group had one associate (2011: one associate) investment, Mako. Mako owes £nil (2011: £nil) to the group. The group's share of the aggregated revenue of its associate in the year to 31 July 2012 amounted to £25.4 million (2011: £18.0 million). The group's share of the aggregated assets and liabilities of its associate at 31 July 2012 amounted to £31.0 million (2011: £36.5 million) and £17.3 million (2011: £15.3 million) respectively.

Mako's year end is 31 December which is different to that of the group, therefore the 31 July 2012 unaudited management accounts of Mako have formed the basis of the financial information used in determining the group's share of the profits.

On 16 September 2011, the group announced the phased sale of its 49.9% investment in Mako. At 31 July 2012, the holding has been reduced to 27.3%. See note 3 for further details.

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18. Consolidated cash flow statement reconciliation

	2012 £ million	2011 £ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities		
Operating profit on ordinary activities before tax on continuing operations	**134.9**	78.5
Operating loss on ordinary activities before tax on discontinued operations	**-**	(27.4)
Tax paid	**(46.2)**	(33.3)
Decrease/(increase) in:		
Interest receivable and prepaid expenses	**9.4**	(4.8)
Net settlement balances and trading positions	**45.5**	(47.6)
Net money broker loans against stock advanced	**(20.8)**	41.6
(Decrease)/increase in:		
Interest payable and accrued expenses	**(36.4)**	(4.2)
Impairment on investment in Mako	**-**	36.0
Depreciation, amortisation and goodwill impairment	**24.3**	21.3
Net cash inflow from trading activities	**110.7**	60.1
(Increase)/decrease in:		
Loans and advances to banks not repayable on demand	**(8.2)**	(10.5)
Loans and advances to customers	**(690.6)**	(539.2)
Floating rate notes held to maturity	**-**	9.0
Floating rate notes classified as available for sale	**176.0**	329.0
Debt securities held for liquidity	**614.0**	370.4
Other assets less other liabilities	**(13.7)**	32.1
(Decrease)/increase in:		
Deposits by banks	**(104.8)**	155.3
Deposits by customers	**277.6**	338.4
Loans and overdrafts from banks	**(297.6)**	(676.7)
Net cash inflow from operating activities	**63.4**	67.9
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries		
Cash consideration in respect of current year purchases	**(4.1)**	(39.2)
Loan stock redemptions and deferred consideration paid in respect of prior year purchases	**(1.0)**	(3.1)
Net movement in cash balances	**-**	3.3
	(5.1)	(39.0)
(c) Analysis of net cash inflow/(outflow) in respect of the sale of subsidiaries and associate		
Cash consideration received	**12.6**	44.5
Cash and cash equivalents disposed of	**-**	(275.5)
	12.6	(231.0)
(d) Analysis of changes in financing activities		
Share capital (including premium) and subordinated loan capital[1]:		
Opening balance	**395.6**	388.3
Shares issued for cash	**0.4**	0.2
Shares issued on acquisitions	**-**	7.1
Closing balance	**396.0**	395.6

18. Consolidated cash flow statement reconciliation continued

	2012 £ million	2011 £ million
(e) Analysis of cash and cash equivalents[2]		
Cash and balances at central banks	**703.3**	590.8
Loans and advances to banks repayable on demand	**94.7**	107.9
Certificates of deposit	**130.3**	284.5
	928.3	983.2

[1] Excludes accrued interest.
[2] 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 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 direct exposures to debt issued by sovereigns or financial institutions in any of the countries listed above. In the prior year it had exposure of £94.6 million through a holding of FRNs issued by Irish banks. These FRNs matured during the year to 31 July 2012 and were repaid in full.

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 approach to lending as applied within the UK.

	2012 £ million	2011 £ million
Loans and advances to customers		
Ireland	**103.9**	75.7
Spain	**2.2**	3.4
	106.1	79.1

The group has no other material exposure to these economies.

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.