

1. Material Accounting Policies

(a) Reporting entity

Close Brothers Group plc (“the company”), a public limited company by shares incorporated and domiciled in the UK (England), together with its subsidiaries (collectively, “the group”), operates through five (2023: five) operating segments: Commercial, Retail, Property, Asset Management and Securities, and is primarily located within the UK.

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards (“IAS”).

The company financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”) and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Financial Instruments: Recognition and Measurement Reports) Regulations 2008 (SI 2008/410).

As permitted by FRS 102, the company has chosen to adopt IFRS 9 Financial Instruments where applicable and taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, share-based payments and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of the group. The company has also taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its company income statement and related notes.

Where relevant, the accounting policies of the company are the same as those of the group set out in this note except for (l) Leases. For the company, rental costs under operating leases are charged to the income statement in equal instalments over the period of the lease.

The consolidated and company financial statements have been prepared on a going concern basis and under the historical cost convention, except for financial assets and liabilities held at fair value through profit or loss and financial assets held at fair value through other comprehensive income. Further information on going concern can be found within the Strategic Report.

(c) Accounting developments

Standards adopted during the year

The accounting standards applied this financial year are consistent with those of the previous financial year, except IFRS 17 Insurance Contracts and minor amendments to IFRSs issued by the IASB, which were effective for the group from 1 August 2023. These changes have no or an immaterial impact on the group.

Future accounting developments

Minor amendments to IFRSs issued by the IASB are effective for the group from 1 August 2024. These changes are expected to have no or an immaterial impact on the group. IFRS 18 'Presentation and Disclosure in Financial Statements' is effective for the group from 1 August 2027 and its impact is currently under assessment.

(d) Consolidation and investment in subsidiary

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Such power generally accompanies a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which the group effectively obtains control. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Under the acquisition method of accounting, with some limited exceptions, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any non-controlling interest is measured either at fair value or at the non-controlling interest's proportion of the net assets acquired. Acquisition related costs are accounted for as expenses when incurred, unless directly related to the issue of debt or equity securities. Any excess of the cost of acquisition over net assets is capitalised as goodwill. All intra-group balances, transactions, income and expenses are eliminated.

The company's investment in its subsidiary is valued at cost less any accumulated impairment losses.

(e) Foreign currency translation

For the company and those subsidiaries whose balance sheets are denominated in sterling, which is the company's functional and presentation currency, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date. Foreign currency transactions are translated into sterling at the average rates of exchange at the date of the transaction and exchange differences arising are taken to the consolidated income statement.

The balance sheets of subsidiaries denominated in foreign currencies are translated into sterling at the closing rates. The income statements for these subsidiaries are translated at the average rates and exchange differences arising are taken to equity. Such exchange differences are reclassified to the consolidated income statement in the period in which the subsidiary is disposed of.

1. Material Accounting Policies (continued)

(f) Revenue recognition

Interest income

Interest on loans and advances made by the group, and fee income and expense and other direct costs relating to loan origination, restructuring or commitments are recognised in the consolidated income statement using the effective interest rate method.

The effective interest rate method applies a rate that discounts estimated future cash payments or receipts over the expected life of a financial instrument to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. The cash flows take into account all contractual terms of the financial instrument including transaction costs and all other premiums or discounts but not future credit losses. Interest income is recognised on a contractual basis where it is not possible to reliably estimate the cash flows or expected life of a financial instrument.

Fees and commissions

Where fees that have not been included within the effective interest rate method are earned on the execution of a significant act at a point in time, such as fees arising from negotiating or arranging a transaction for a third party, they are recognised as revenue when that act has been completed and the performance obligation has been met. Fees and corresponding expenses in respect of other services are recognised in the consolidated income statement as the right to consideration or payment accrues over time when services are performed and obligations are met. To the extent that fees and commissions are recognised in advance of billing they are included as accrued income or expense.

Dividends

Dividend income is recognised when the right to receive payment is established.

Gains less losses arising from dealing in securities

Net realised and unrealised gains arising from both buying and selling securities and from positions held in securities, including related interest income and dividends.

(g) Adjusted measures

Adjusted measures are management measures presented on a basis consistent with prior periods and exclude adjusting items which do not reflect underlying trading performance and which may be recurring. Adjusted measures also exclude exceptional items.

Adjusting items this year comprise amortisation of intangible assets on acquisition, provision for Borrowers in Financial Difficulty review, restructuring costs, and complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements.

Amortisation of intangible assets on acquisition, which was also an adjusting item in the prior year, is excluded to present the performance of the group's acquired businesses consistent with its other businesses. The other adjusting items are new this year and do not reflect underlying trading performance.

Exceptional items are income and expense items that are material by size and/or nature and are non-recurring.

(h) Financial assets and liabilities (excluding derivatives)

Classification and measurement

Financial assets are classified at initial recognition on the basis of the business model within which they are managed and their contractual cash flow characteristics. The classification categories are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Initial recognition is at fair value plus directly attributable transaction costs. Interest income is accounted for using the effective interest rate method.

Financial assets that are held to collect contractual cash flows and for subsequent sale, where the assets' cash flows represent solely payments of principal and interest, are classified at FVOCI. Directly attributable transaction costs are added to the initial fair value. Gains and losses are recognised in other comprehensive income, except for impairment gains and losses, until the financial asset is either sold or matures, at which time the cumulative gain or loss is recognised in the income statement. Impairment gains and losses are recognised in the income statement.

Financial assets are classified at FVTPL where they do not meet the criteria to be measured at amortised cost or FVOCI or where they are designated at FVTPL to reduce an accounting mismatch. Financial assets at FVTPL are recognised at fair value. Transaction costs are not added to or deducted from the initial fair value, they are immediately recognised in profit or loss on initial recognition. Gains and losses that subsequently arise on changes in fair value are recognised in the income statement.

Financial liabilities are classified at initial recognition at amortised cost except for the following instruments which are classified at FVTPL: derivatives; financial liabilities held for trading; and financial liabilities designated at FVTPL to eliminate an accounting mismatch.

Financial liabilities at amortised cost are measured at fair value less directly attributable transaction costs on initial recognition. Interest expense is accounted for using the effective interest rate method. Financial liabilities at FVTPL are measured at fair value on initial recognition. Transaction costs are not added to or deducted from the initial fair value, they are immediately recognised in profit or loss on initial recognition. Subsequent changes in fair value are recognised in the income statement except for financial liabilities designated at FVTPL; changes in fair value attributable to changes in credit risk are recognised in other comprehensive income.

The fair values of quoted financial assets or financial liabilities in active markets are based on bid or offer prices. If the market for a financial asset or financial liability is not active, or they relate to unlisted securities, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where the group has transferred the contractual rights to receive cash flows and transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred the assets continue to be recognised to the extent of the group's continuing involvement. Financial liabilities are derecognised when they are extinguished.

Modifications

The terms or cash flows of a financial asset or liability may be modified due to renegotiation or otherwise. If the terms or cash flows are substantially different to the original, then the financial asset or liability is derecognised and a new financial asset or liability is recognised at fair value. If the terms or cash flows are not substantially different to the original, then the financial asset or liability carrying value is adjusted to reflect the present value of modified cash flows discounted at the original EIR. The adjustment is recognised within income on the income statement.

(i) Impairment of financial assets

Expected credit losses

In accordance with IFRS 9, expected credit losses ("ECL") are recognised for loans and advances to customers and banks, other financial assets held at amortised cost, financial assets measured at FVOCI, loan commitments and financial guarantee contracts. The impairment charge in the income statement includes the change in expected credit losses.

At initial recognition, financial assets are considered to be in Stage 1 and a provision is recognised for 12 months of expected credit losses. If a significant increase in credit risk since initial recognition occurs, these financial assets are considered to be in Stage 2 and a provision is made for the lifetime expected credit losses. As a backstop, all financial assets 30 days past due are considered to have experienced a significant increase in credit risk and are transferred to Stage 2.

A financial asset will remain classified as Stage 2 until the credit risk has improved and it can be returned to Stage 1 or until it deteriorates such that it meets the criteria to move to Stage 3.

Where a financial asset no longer represents a significant increase in credit risk since origination it can move from Stage 2 back to Stage 1. As a minimum this means that all payments must be up-to-date, the quantitative probability of default assessment trigger is no longer met, and the account is not evidencing qualitative assessment triggers.

When objective evidence exists that a financial asset is credit impaired, such as the occurrence of a credit default event or identification of an unlikelihood to pay indicator, the financial asset is considered to be in Stage 3. As a backstop, all financial assets 90 days or more past due are considered to be credit impaired and transferred to Stage 3.

Cure definitions are in operation where financial assets in Stage 3 can move back to Stage 2, subject to Stage 3 indicators no longer being in effect, and meeting the appropriate cure period.

In all circumstances, loans and advances to customers are written off against the related provisions when there are no reasonable expectations of further recovery. This is typically following realisation of all associated collateral and available recovery actions against the customer. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

The calculation of expected credit losses for loans and advances to customers, either on a 12-month or lifetime basis, is based on the probability of default ("PD"), the exposure at default ("EAD") and the loss given default ("LGD"), and includes forward-looking macroeconomic information where appropriate. Further information on this calculation methodology can be found in the 'Use of estimates' section on pages 95 to 99 of the Risk Report.

The calculation of expected credit losses for some loan portfolios and receivables relating to operating lease assets is based on a simplified lifetime only expected credit loss approach. Under the simplified approach, stage classification represents management's internal assessment of credit risk.

Expected credit losses are assessed against actual loss experience via a series of provision adequacy reviews. These reviews also incorporate management judgement to ensure that our ECL coverage ratios remain appropriate.

(j) Settlement accounts

Settlement balance debtors and creditors are the amounts due to and from counterparties in respect of the group's market-making activities and are measured at fair value on initial recognition and carried at amortised cost. The balances are short term in nature, do not earn interest and are recorded at the amount receivable or payable.

(k) Loans to and from money brokers against stock advanced

Loans to money brokers against stock advanced is the cash collateral provided to these institutions for stock borrowing by the group's market-making activities and is measured at fair value on initial recognition and carried at amortised cost. Interest is paid on the stock borrowed and earned on the cash deposits advanced. The stock borrowing to which the cash deposits relate is short term in nature and is recorded at the amount receivable. Loans from money brokers against stock collateral provided are recorded at the amount payable. Interest is paid on the loans.

(l) Leases

Lessor

A finance lease is a lease or hire purchase contract that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Finance leases are recognised as loans at an amount equal to the gross investment in the lease, which comprises the lease payments receivable and any unguaranteed residual value, discounted at its implicit interest rate. Finance charges on finance leases are taken to income in proportion to the net funds invested.

1. Material Accounting Policies (continued)

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Rental income from operating leases is recognised in equal instalments over the period of the leases and included in other income in the consolidated income statement.

Lessee

A lease liability and right of use asset are recognised on the balance sheet at the lease commencement date. The lease liability is measured at the present value of future lease payments. The discount rate is the rate implicit in the lease, or if that cannot be determined, the group's incremental borrowing rate appropriate for the right of use asset. The right of use asset is measured at cost, comprising the initial lease liability, payments made at or before the commencement date less lease incentives received, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease.

Lease payments are allocated between the liability and finance cost. The finance cost relating to the lease liability is charged to the consolidated income statement over the lease term. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

As set out in Note 1(b), the company has a different accounting policy for leases under FRS 102. Rental costs under operating leases are charged to the income statement in equal instalments over the period of the lease.

(m) Sale and repurchase agreements and other secured lending and borrowings

Securities may be sold subject to a commitment to repurchase them. Such securities are retained on the consolidated balance sheet when substantially all the risks and rewards of ownership remain with the group. The transactions are treated as collateralised borrowing and the counterparty liability is included within loans and overdrafts from banks. Similar secured borrowing transactions, including securities lending transactions and collateralised short-term notes, are treated and presented in the same way. These secured financing transactions are initially recognised at fair value, and subsequently valued at amortised cost, using the effective interest rate method.

(n) Securitisation transactions

The group securitises its own financial assets via the sale of these assets to special purpose entities, which in turn issue securities to investors. All financial assets continue to be held on the group's consolidated balance sheet together with debt securities in issue recognised for the funding.

The group has a forward flow arrangement with a third party. In this arrangement, financial assets are originated and recognised on the balance sheet and simultaneously derecognised on sale of the assets.

See Note 1(h) for the derecognition accounting policy.

(o) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented on the consolidated balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

(p) Derivatives and hedge accounting

On adoption of IFRS 9 Financial Instruments in 2018, the group elected to continue applying hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement.

In general, derivatives are used to minimise the impact of interest, currency rate and equity price changes to the group's financial instruments. They are carried on the consolidated balance sheet at fair value which is obtained from quoted market prices in active markets, including recent market transactions and discounted cash flow models.

On acquisition, certain derivatives are designated as a hedge and the group formally documents the relationship between these derivatives and the hedged item. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative is highly effective in offsetting changes in fair values or cash flows of hedged items. If a hedge was deemed partially ineffective but continues to qualify for hedge accounting, the amount of the ineffectiveness, taking into account the timing of the expected cash flows where relevant, would be recorded in the consolidated income statement. If the hedge is not, or has ceased to be highly effective, the group discontinues hedge accounting.

For fair value hedges, changes in the fair value are recognised in the consolidated income statement, together with changes in the fair value of the hedged item. For cash flow hedges, the fair value gain or loss associated with the effective proportion of the cash flow hedge is recognised initially directly in equity and recycled to the consolidated income statement in the period when the hedged item affects income.

(q) Intangible assets

Computer software (acquired and costs associated with development) and intangible assets on acquisition (excluding goodwill) are stated at cost less accumulated amortisation and provisions for impairment which are reviewed at least annually. Amortisation is calculated to write off their cost on a straight-line basis over the estimated useful lives as follows:

Computer software	3 to 10 years
Intangible assets on acquisition	8 to 20 years

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is assessed annually for impairment and carried at cost less any accumulated impairment.

The estimated useful lives of computer software have been updated from a range of 3 to 5 years to a range of 3 to 10 years reflecting the longer useful lives of new core software platforms.

(r) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment which are reviewed at least annually. Depreciation is calculated to write off their cost on a straight-line basis over their estimated useful lives as follows:

Long leasehold property	40 years
Short leasehold property	Over the length of the lease
Fixtures, fittings and equipment	3 to 5 years
Assets held under operating leases	1 to 20 years
Motor vehicles	1 to 5 years

(s) Share capital and other equity

Share issue costs

Incremental costs directly attributable to the issue of new shares or options, including those issued on the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by shareholders.

Treasury shares

Where the company or any member of the group purchases the company's share capital, the consideration paid is deducted from shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Other equity

Financial instruments are classified as equity when there is no contractual obligation to deliver cash, another financial asset, or a variable number of the group's own equity instruments to another entity. The instrument is measured at cost less transaction costs and distributions are recognised as a deduction from retained earnings when they become irrevocable.

(t) Employee benefits

The group operates defined contribution pension schemes for eligible employees as well as a defined benefit pension scheme which is closed to new members and further accrual.

Under the defined contribution scheme the group pays fixed contributions into a fund separate from the group's assets. Contributions are charged in the consolidated income statement when they become payable.

The expected cost of providing pensions within the funded defined benefit scheme, determined on the basis of annual valuations using the projected unit method, is charged to the consolidated income statement. Actuarial gains and losses are recognised in full in the period in which they occur and recognised in other comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets at the balance sheet date. Both the return on investment expected in the period and the expected financing cost of the liability, as estimated at the beginning of the period, are recognised in the results for the period. Any variances against these estimates in the year form part of the actuarial gain or loss. The assets of the scheme are held separately from those of the group in an independently managed fund.

The scheme entered into a buy-in transaction with an insurance company covering all members of the scheme. A buy-in is a bulk annuity policy that matches the scheme's assets and liabilities. The pension surplus on the group's balance sheet relates to the cash held by the scheme with the fair value of the insurance policy matched to the fair value of the scheme's liabilities, which remains subject to changes in actuarial valuations.

(u) Share-based payments to employees

The group operates three (2023: three) share-based award schemes: the Deferred Share Awards ("DSA") scheme, the Long Term Incentive Plan ("LTIP"), and the HMRC approved Save As You Earn ("SAYE") scheme.

The costs of the awards granted under the DSA scheme are based on the salary of the individual at the time the award is made. The value of the share award at the grant date is charged to the group's consolidated income statement in the year to which the award relates.

The costs of LTIP and SAYE are based on the fair value of awards on the date of grant. Fair values of share-based awards are determined using the Black-Scholes pricing model, with the exception of fair values for market-based performance conditions, which are determined using Monte Carlo simulation. Both models take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the company's share price over the life of the option award and other relevant factors. For non-market-based performance conditions, vesting conditions are not taken into account when measuring fair value, but are reflected by adjusting the number of shares in each award such that the amount recognised reflects the number that are expected to, and then actually do, vest. The fair value is expensed in the consolidated income statement on a straight-line basis over the vesting period, with a corresponding credit to the share-based payments reserve. At the end of the vesting period, or upon exercise, lapse or forfeit if earlier, this credit is transferred to retained earnings. Further information on the group's schemes is provided in Note 24 and in the Directors' Remuneration Report.

(v) Provisions and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are deemed remote.

(w) Taxes, including deferred taxes

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. Material Accounting Policies (continued)

To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set. Deferred tax liabilities are offset against deferred tax assets when there is both a legal right to set off and an intention to settle on a net basis.

(x) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises cash and demand deposits with banks, together with short-term highly liquid investments that are readily convertible to known amounts of cash.

(y) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is considered the group's chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

2. Critical Accounting Judgements and Estimates

The reported results of the group are sensitive to the judgements, estimates and assumptions that underlie the application of its accounting policies and preparation of its financial statements. UK company law and IFRS require the directors, in preparing the group's financial statements, to select suitable accounting policies, apply them consistently and make judgements, estimates and assumptions that are reasonable.

The group's estimates and assumptions are based on historical experience and reasonable expectations of future events and are reviewed on an ongoing basis. Actual results in the future may differ from the amounts estimated due to the inherent uncertainty.

The group's critical accounting judgements, made in applying its accounting policies as described in Note 1, and the key sources of estimation uncertainty that may have a significant risk of causing a material adjustment within the next financial year are set out below. There are no critical accounting judgements or key sources of estimation uncertainty relating to the company.

The impact of climate change on the group's judgements, estimates and assumptions has been considered in preparing these financial statements. While no material impact has been identified, climate risk continues to be monitored on an ongoing basis as set out in more detail on page 80 in the Risk Report.

Critical accounting judgements

The critical accounting judgements of the group, which relate to expected credit loss provisions calculated under IFRS 9 and Motor Finance commission arrangements, are as follows:

- Establishing the criteria for a significant increase in credit risk;
- Determining the appropriate definition of default; and
- Determining whether the criteria for the recognition of a provision under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' have been met in relation to Motor Finance commission arrangements.
- Determining the impact of the FCA's motor commissions review and the group's strategic and capital actions response on the group's goodwill impairment assessment.

Further information on the first two accounting judgements can be found in the 'Use of judgements' section on pages 94 to 95 in the Risk Report, while further information on the third and fourth judgements can be found in Note 21 and Note 14 respectively.

Key sources of estimation uncertainty

The key sources of estimation uncertainty of the group relate to expected credit loss provisions and goodwill and are as follows:

- Two key model estimates, being time to recover periods and recovery rates, underpinning the expected credit loss provision of Novitas. These were also key estimates in the prior year;
- Forward-looking macroeconomic information incorporated into expected credit loss models. This was also a key estimate in the prior year;
- Adjustments by management to model calculated expected credit losses due to limitations in the group's expected credit loss models or input data, which may be identified through ongoing model monitoring and validation of models. This was also a key estimate in the prior year; and
- Estimate of future cash flow forecasts in the calculation of value in use for the testing of goodwill for impairment in relation to the Winterflood Securities and Banking division, in particular Motor Finance, cash generating units due to more challenging trading conditions expected for both. This was a key estimate for Winterflood Securities in the prior year and new for Motor Finance this year.

Additional disclosures on the estimation uncertainty relating to forward-looking macroeconomic information, model adjustments and goodwill can be found in the 'Use of estimates' section on pages 95 to 99, 'Use of Adjustments' section on page 100, both in the Risk Report, and Note 14 'Intangibles Assets' on pages 221 to 223 respectively.

3. Segmental Analysis

The directors manage the group by class of business and present the segmental analysis on that basis. The group's activities are presented in five (2023: five) operating segments: Commercial, Retail, Property, Asset Management and Securities.

In the segmental reporting information that follows, Group consists of central functions as well as various non-trading head office companies and consolidation adjustments and is set out in order that the information presented reconciles to the consolidated income statement. The Group balance sheet primarily includes treasury assets and liabilities comprising cash and balances at central banks, debt securities, customer deposits and other borrowings.

Divisions continue to charge market prices for the limited services rendered to other parts of the group. Funding charges between segments take into account commercial demands. More than 90% of the group's activities, revenue and assets are located in the UK.

	Banking			Asset Management £ million	Securities £ million	Group £ million	Total £ million
	Commercial £ million	Retail £ million	Property £ million				
Summary income statement for year ended 31 July 2024							
Net interest income/(expense)	228.8	234.4	129.0	11.0	(0.4)	(11.5)	591.3
Non-interest income	100.8	28.0	3.9	146.8	73.4	—	352.9
Operating income/(expense)	329.6	262.4	132.9	157.8	73.0	(11.5)	944.2
Administrative expenses	(182.3)	(156.6)	(30.0)	(139.5)	(68.9)	(31.6)	(608.9)
Depreciation and amortisation	(26.1)	(20.7)	(4.9)	(6.1)	(5.9)	(2.2)	(65.9)
Impairment losses on financial assets	(31.7)	(47.2)	(20.0)	—	0.1	—	(98.8)
Total operating expenses before adjusting items	(240.1)	(224.5)	(54.9)	(145.6)	(74.7)	(33.8)	(773.6)
Adjusted operating profit/(loss)¹	89.5	37.9	78.0	12.2	(1.7)	(45.3)	170.6
Amortisation of intangible assets on acquisition	—	(0.2)	—	(1.2)	—	—	(1.4)
Provision in relation to the BiFD review	(0.6)	(16.6)	—	—	—	—	(17.2)
Restructuring costs	(2.2)	(0.6)	(0.3)	—	—	—	(3.1)
Complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements	—	(6.9)	—	—	—	—	(6.9)
Operating profit/(loss) before tax	86.7	13.6	77.7	11.0	(1.7)	(45.3)	142.0
External operating income/(expense)	517.0	376.7	224.7	156.9	73.0	(404.1)	944.2
Inter segment operating (expense)/income	(187.4)	(114.3)	(91.8)	0.9	—	392.6	—
Segment operating income/(expense)	329.6	262.4	132.9	157.8	73.0	(11.5)	944.2

1. Adjusted operating profit/(loss) is stated before the following adjusting items and the associated tax effect: amortisation of intangible assets on acquisition, provision in relation to the BiFD review, restructuring costs and complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements. The adjusting items are presented within administrative expenses on a statutory basis. The accounting policy for adjusted measures is set out in Note 1(g) while more information on the adjusting items can be found in Notes 14, 16 and 21.

The Commercial operating segment above includes Novitas, which ceased lending to new customers in July 2021 following a strategic review. Novitas recorded an operating loss of £0.1 million (2023: loss of £84.2 million), driven by impairment losses of £6.4 million (2023: £116.8 million).

Novitas' income was £11.0 million (2023: £18.9 million) and expenses were £4.8 million (2023: £8.7 million). In line with IFRS 9's requirement to recognise interest income on Stage 3 loans on a net basis, income includes the partial unwinding over time of the expected credit loss recognised in the year following the transfer of the majority of loans to Stage 3. Further information on Novitas can be found in the Credit Risk section of the Risk Report.

As set out in Note 29 "Post Balance Sheet Event", the group announced it entered into an agreement to sell CBAM, one of the group's operating segments and whose financial results are presented within this note, to Oaktree on 19 September 2024 following a comprehensive strategic review.

3. Segmental Analysis (continued)

	Banking			Asset Management £ million	Securities £ million	Group ² £ million	Total £ million
	Commercial £ million	Retail £ million	Property £ million				
Summary balance sheet information at 31 July 2024							
Total assets ¹	5,101.6	3,041.9	1,955.2	192.0	825.0	2,965.1	14,080.8
Total liabilities	—	—	—	70.2	734.6	11,433.5	12,238.3

- Total assets for the Banking operating segments comprise the loan book and operating lease assets only. The Commercial operating segment includes the net loan book of Novitas of £62.4 million.
- Balance sheet includes £2,970.1 million assets and £11,358.1 million liabilities attributable to the Banking division primarily comprising the treasury balances described in the second paragraph of this note.

Equity is allocated across the group as set out below. Banking division equity, which is managed as a whole rather than on a segmental basis, reflects loan book and operating lease assets of £10,098.7 million, in addition to assets and liabilities of £2,970.1 million and £11,358.1 million respectively primarily comprising treasury balances which are included within the Group column above.

	Banking £ million	Asset Management £ million	Securities £ million	Group £ million	Total £ million
Equity	1,710.7	121.8	90.4	(80.4)	1,842.5

	Banking			Asset Management £ million	Securities £ million	Group £ million	Total £ million
	Commercial	Retail	Property				
Other segment information for the year ended 31 July 2024							
Employees (average number) ¹	1,461	1,195	199	872	311	87	4,125

- Banking segments include a central function headcount allocation. The company's average number of employees is equivalent to the Group number.

	Banking			Asset Management £ million	Securities £ million	Group £ million	Total £ million
	Commercial £ million	Retail £ million	Property £ million				
Summary income statement for year ended 31 July 2023							
Net interest income/(expense)	251.2	218.4	117.1	6.7	0.5	(1.3)	592.6
Non-interest income	96.6	29.7	0.8	138.1	74.8	—	340.0
Operating income/(expense)	347.8	248.1	117.9	144.8	75.3	(1.3)	932.6
Administrative expenses	(171.5)	(142.8)	(26.5)	(123.3)	(67.5)	(22.2)	(553.8)
Depreciation and amortisation	(22.9)	(21.6)	(4.4)	(5.5)	(4.3)	(2.5)	(61.2)
Impairment losses on financial assets	(137.5)	(49.0)	(17.5)	(0.1)	—	—	(204.1)
Total operating expenses before amortisation of intangible assets on acquisition	(331.9)	(213.4)	(48.4)	(128.9)	(71.8)	(24.7)	(819.1)
Adjusted operating profit/(loss)¹	15.9	34.7	69.5	15.9	3.5	(26.0)	113.5
Amortisation of intangible assets on acquisition	—	—	—	(1.5)	—	—	(1.5)
Operating profit/(loss) before tax	15.9	34.7	69.5	14.4	3.5	(26.0)	112.0
External operating income/(expense)	451.1	308.6	170.3	144.2	75.3	(216.9)	932.6
Inter segment operating (expense)/income	(103.3)	(60.5)	(52.4)	0.6	—	215.6	—
Segment operating income/(expense)	347.8	248.1	117.9	144.8	75.3	(1.3)	932.6

- Adjusted operating profit/(loss) is stated before amortisation of intangible assets on acquisition and tax.

	Banking					Group ² £ million	Total £ million
	Commercial	Retail	Property	Asset Management	Securities		
	£ million	£ million	£ million	£ million	£ million		
Summary balance sheet information at 31 July 2023							
Total assets ¹	4,821.3	3,001.8	1,703.1	177.9	870.5	2,975.7	13,550.3
Total liabilities	—	—	—	64.1	778.1	11,063.2	11,905.4

- Total assets for the Banking operating segments comprise the loan book and operating lease assets only. The Commercial operating segment includes the net loan book of Novitas of £59.9 million.
- Balance sheet includes £2,977.4 million assets and £11,151.9 million liabilities attributable to the Banking division primarily comprising the treasury balances described in the second paragraph of this note.

Equity is allocated across the group as set out below. Banking division equity, which is managed as a whole rather than on a segmental basis, reflects loan book and operating lease assets of £9,526.2 million, in addition to assets and liabilities of £2,977.4 million and £11,151.9 million respectively primarily comprising treasury balances which are included within the Group column above.

	Banking £ million	Asset Management £ million	Securities £ million	Group £ million	Total £ million
Equity	1,351.7	113.8	92.4	87.0	1,644.9

	Banking					Group	Total
	Commercial	Retail	Property	Asset Management	Securities		
	Commercial	Retail	Property	Asset Management	Securities		
Other segmental information for the year ended 31 July 2023							
Employees (average number) ¹	1,450	1,194	201	814	320	81	4,060

- Banking segments include a central function headcount allocation. The company's average number of employees is equivalent to the Group number.

4. Operating Profit before Tax

	2024 £ million	2023 £ million
Interest income¹		
Cash and balances at central banks	98.5	64.5
Loans and advances to banks	8.6	4.2
Loans and advances to customers	1,006.8	807.4
Other interest income	42.9	21.4
	1,156.8	897.5
Interest expense		
Deposits from banks	(5.8)	(3.2)
Deposits by customers	(387.2)	(203.6)
Borrowings	(116.9)	(90.2)
Other interest expense ²	(55.6)	(7.9)
	(565.5)	(304.9)
Net interest income	591.3	592.6

- Interest income calculated using the effective interest method.
- Other interest expense includes interest expense of £26.7 million relating to derivative assets and liabilities (2023: £8.3 million interest income).

4. Operating Profit before Tax (continued)

	2024	2023
	£ million	£ million
Fee and commission income		
Banking	104.2	110.6
Asset Management	148.1	138.7
Securities	18.9	13.6
	271.2	262.9
Fee and commission expense	(22.8)	(17.9)
Net fee and commission income	248.4	245.0

Fee income and expense (other than amounts calculated using the effective interest rate method) on financial instruments that are not at fair value through profit or loss were £104.2 million (2023: £110.6 million) and £19.8 million (2023: £15.1 million) respectively. Fee income and expense arising from trust and other fiduciary activities amounted to £148.0 million (2023: £138.7 million) and £1.8 million (2023: £1.6 million) respectively.

	2024	2023
	£ million	£ million
Other income		
Operating lease assets rental income	92.3	91.1
Other ¹	40.4	23.1
	132.7	114.2

1. Includes income from the amortisation of de-designated cash flow and fair value hedges totalling £27.9 million and services provided in relation to operating lease assets. In the prior year, the income from de-designated hedges was £34.0 million, partly offset by an associated realised loss of £31.9 million on the sale of sovereign debt.

	2024	2023
	£ million	£ million
Administrative expenses		
Staff costs:		
Wages and salaries	315.8	288.0
Social security costs	40.5	38.1
Share-based awards	4.7	2.0
Pension costs	21.4	18.9
	382.4	347.0
Depreciation and amortisation	67.3	62.7
Other administrative expenses	253.7	206.8
	703.4	616.5

Staff costs of the company total £16.9 million (2023: £12.5 million) comprising largely of wages and salaries of £12.9 million (2023: £11.4 million).

5. Information Regarding the Auditors

	2024 ¹	2023 ¹
	£ million	£ million
Fees payable		
Audit of the company's annual accounts	1.0	0.9
Audit of the company's subsidiaries pursuant to legislation	4.0	3.0
Audit related services	0.7	0.6
Other services	0.7	0.2
	6.4	4.7

1. During the year, an additional audit fee of £0.3 million (2023: £0.2 million) was paid to the auditors in relation to scope changes in the prior year audit, which is not included above.

The auditors of the group were PricewaterhouseCoopers LLP (2023: PricewaterhouseCoopers LLP).

6. Taxation

	2024 £ million	2023 £ million
Tax charged/(credited) to the income statement		
Current tax:		
UK corporation tax	40.3	18.1
Foreign tax	0.9	2.3
Adjustments in respect of previous years	(5.3)	(8.2)
	35.9	12.2
Deferred tax:		
Deferred tax (credit)/charge for the current year	(0.6)	11.4
Adjustments in respect of previous years	6.3	7.3
	41.6	30.9
Tax on items not (credited)/charged to the income statement		
Current tax relating to:		
Share-based payments	–	(0.2)
Acquisitions	(0.4)	–
Deferred tax relating to:		
Cash flow hedging	(8.4)	4.9
Defined benefit pension scheme	–	(1.6)
Financial instruments classified as fair value through other comprehensive income	(1.0)	(1.1)
Share-based payments	–	0.3
Currency translation (losses)/gains	(0.4)	0.5
Acquisitions	0.6	–
	(9.6)	2.8
Reconciliation to tax expense		
UK corporation tax for the year at 25.0% (2023: 21.0%) on operating profit before tax	35.5	23.5
Effect of different tax rates in other jurisdictions	–	(0.3)
Disallowable items and other permanent differences	5.1	1.6
Banking surcharge	–	6.2
Deferred tax impact of decreased tax rates	–	0.8
Prior year tax provision	1.0	(0.9)
	41.6	30.9

The standard UK corporation tax rate for the financial year is 25.0% (2023: 21.0%). An additional 3.0% (2023: 6.3%) surcharge applies to banking company profits as defined in legislation, but only above a threshold amount which is not materially exceeded by the current year banking company profits. The effective tax rate of 29.3% (2023: 27.6%) is above the UK corporation tax rate primarily due to disallowable expenditure.

The UK government has implemented the Pillar Two global minimum tax rate of 15% and a UK domestic minimum top-up tax with effect from the group's financial year commencing 1 August 2024. The jurisdictions in relation to which Pillar Two tax liabilities are expected to potentially arise for the group are the Republic of Ireland, Jersey and Guernsey, however the impact is expected to be immaterial. The group has adopted the IAS 12 exemption from recognition and disclosure regarding the impact on deferred tax assets and liabilities arising from this legislation. The company has adopted the same exemption under FRS 102.

6. Taxation (continued)

Movements in deferred tax assets and liabilities were as follows:

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Impairment losses £ million	Cash flow hedging £ million	Intangible assets £ million	Other £ million	Total £ million
Group								
At 1 August 2022	25.5	(1.9)	12.9	5.8	(8.5)	(1.3)	—	32.5
(Charge)/credit to the income statement	(12.1)	—	(3.9)	0.1	—	0.4	(3.2)	(18.7)
(Charge)/credit to other comprehensive income	(0.5)	1.6	—	—	(4.9)	—	1.1	(2.7)
Charge to equity	—	—	(0.3)	—	—	—	—	(0.3)
Acquisitions	—	—	—	—	—	—	—	—
At 31 July 2023	12.9	(0.3)	8.7	5.9	(13.4)	(0.9)	(2.1)	10.8
(Charge)/credit to the income statement	(8.2)	0.1	(1.5)	0.1	—	0.3	3.5	(5.7)
Credit to other comprehensive income	0.4	—	—	—	8.4	—	1.0	9.8
Charge to equity	—	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	(1.5)	0.9	(0.6)
At 31 July 2024	5.1	(0.2)	7.2	6.0	(5.0)	(2.1)	3.3	14.3

The group's deferred tax asset comprises £4.8 million (31 July 2023: £0.7 million) due within one year and £9.5 million (31 July 2023: £10.1 million) due after more than one year.

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Total £ million
Company				
At 1 August 2022	(0.3)	(1.9)	2.0	(0.2)
Credit to the income statement	(0.1)	—	(0.9)	(1.0)
Credit to other comprehensive income	—	1.6	—	1.6
At 31 July 2023	(0.4)	(0.3)	1.1	0.4
Charge to the income statement	0.2	0.1	(0.5)	(0.2)
Credit to other comprehensive income	—	—	—	—
At 31 July 2024	(0.2)	(0.2)	0.6	0.2

The company's deferred tax asset comprises £0.2 million (31 July 2023: £0.2 million) due within one year and £nil (31 July 2023: £0.2 million liabilities) due after more than one year.

As the group has been and is expected to continue to be consistently profitable, the full deferred tax assets have been recognised.

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.

	2024	2023
Basic	59.7p	54.3p
Diluted	59.5p	54.2p
Adjusted basic ¹	76.1p	55.1p
Adjusted diluted ¹	75.9p	55.0p

1. Excludes the following adjusting items and the associated tax effect where appropriate: amortisation of intangible assets on acquisition, provision in relation to the BiFD review, restructuring costs and complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements.

	2024 £ million	2023 £ million
Profit attributable to shareholders' equity	89.3	81.1
Adjustments:		
Amortisation of intangible assets on acquisition	1.4	1.5
Provision in relation to the BiFD review	17.2	—
Restructuring costs	3.1	—
Complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements	6.9	—
Tax effect of adjustments	(4.0)	(0.3)
Adjusted profit attributable to shareholders' equity	113.9	82.3

	2024 million	2023 million
Average number of shares		
Basic weighted	149.7	149.4
Effect of dilutive share options and awards	0.3	0.2
Diluted weighted	150.0	149.6

8. Dividends

	2024 £ million	2023 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2023: 45.0p (November 2022: 44.0p)	67.1	65.6
Interim dividend for current financial year paid in April 2024: nil (April 2023: 22.5p)	—	33.5
	67.1	99.1

As disclosed on 15 February 2024 in a trading update and dividend announcement, the group will not pay any dividends on its ordinary shares for the financial year ended 31 July 2024.

9. Loans and Advances to Banks

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	Total £ million
At 31 July 2024	269.2	0.1	4.3	16.4	3.7	293.7
At 31 July 2023	290.9	21.6	2.0	3.0	12.8	330.3

10. Loans and Advances to Customers

(a) Maturity and classification analysis of loans and advances to customers

The following tables set out the maturity and IFRS 9 classification analysis of loans and advances to customers. At 31 July 2024 loans and advances to customers with a maturity of two years or less was £7,733.6 million (31 July 2023: £7,158.8 million) representing 75.3% (31 July 2023: 74.3%) of total gross 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	Total gross loans and advances to customers £ million	Impairment provisions £ million	Total net loans and advances to customers £ million
At 31 July 2024	88.5	2,888.2	2,654.9	2,102.0	2,399.1	143.9	10,276.6	(445.8)	9,830.8
At 31 July 2023	76.5	2,597.8	2,636.5	1,848.0	2,337.2	139.6	9,635.6	(380.6)	9,255.0

	31 July 2024 £ million	31 July 2023 £ million
Gross loans and advances to customers		
Held at amortised cost	10,264.8	9,635.6
Held at fair value through profit or loss	11.8	—
	10,276.6	9,635.6

(b) Loans and advances to customers held at amortised cost and impairment provisions by stage

Gross loans and advances to customers held at amortised cost by stage and the corresponding impairment provisions and provision coverage ratios are set out below:

	Stage 1		Stage 2		Stage 3 £ million	Total £ million
	£ million	£ million	Less than 30 days past due £ million	Greater than or equal to 30 days past due £ million		
At 31 July 2024						
Gross loans and advances to customers held at amortised cost						
Commercial	3,877.8	801.5	33.1	834.6	400.2	5,112.6
Of which: Commercial excluding Novitas	3,877.8	800.5	33.1	833.6	118.1	4,829.5
Of which: Novitas	—	1.0	—	1.0	282.1	283.1
Retail	2,815.7	221.2	9.9	231.1	90.0	3,136.8
Property	1,717.0	9.8	53.3	63.1	235.3	2,015.4
	8,410.5	1,032.5	96.3	1,128.8	725.5	10,264.8
Impairment provisions						
Commercial	20.9	9.6	4.2	13.8	256.0	290.7
Of which: Commercial excluding Novitas	20.9	8.6	4.2	12.8	36.3	70.0
Of which: Novitas	—	1.0	—	1.0	219.7	220.7
Retail	27.7	14.8	2.2	17.0	50.2	94.9
Property	3.6	0.2	0.3	0.5	56.1	60.2
	52.2	24.6	6.7	31.3	362.3	445.8
Provision coverage ratio						
Commercial	0.5%	1.2%	12.7%	1.7%	64.0%	5.7%
Within which: Commercial excluding Novitas	0.5%	1.1%	12.7%	1.5%	30.7%	1.4%
Within which: Novitas	—	100.0%	—	100.0%	77.9%	78.0%
Retail	1.0%	6.7%	22.2%	7.4%	55.8%	3.0%
Property	0.2%	2.0%	0.6%	0.8%	23.8%	3.0%
	0.6%	2.4%	7.0%	2.8%	49.9%	4.3%

	Stage 2			Total £ million	Stage 3 £ million	Total £ million
	Stage 1 £ million	Less than 30 days past due £ million	Greater than or equal to 30 days past due £ million			
At 31 July 2023						
Gross loans and advances to customers held at amortised cost						
Commercial	3,686.1	750.9	23.2	774.1	339.4	4,799.6
Of which: Commercial excluding Novitas	3,685.1	749.6	23.2	772.8	97.7	4,555.6
Of which: Novitas	1.0	1.3	—	1.3	241.7	244.0
Retail	2,839.1	159.1	18.4	177.5	74.6	3,091.2
Property	1,465.0	85.7	24.7	110.4	169.4	1,744.8
	7,990.2	995.7	66.3	1,062.0	583.4	9,635.6
Impairment provisions						
Commercial	25.1	13.9	2.4	16.3	208.1	249.5
Of which: Commercial excluding Novitas	24.9	13.6	2.4	16.0	24.5	65.4
Of which: Novitas	0.2	0.3	—	0.3	183.6	184.1
Retail	27.9	11.6	2.6	14.2	47.3	89.4
Property	5.1	1.4	0.3	1.7	34.9	41.7
	58.1	26.9	5.3	32.2	290.3	380.6
Provision coverage ratio						
Commercial	0.7%	1.9%	10.3%	2.1%	61.3%	5.2%
Within which: Commercial excluding Novitas	0.7%	1.8%	10.3%	2.1%	25.1%	1.4%
Within which: Novitas	20.0%	23.1%	—	23.1%	76.0%	75.5%
Retail	1.0%	7.3%	14.1%	8.0%	63.4%	2.9%
Property	0.3%	1.6%	1.2%	1.5%	20.6%	2.4%
	0.7%	2.7%	8.0%	3.0%	49.8%	3.9%

Stage allocation of loans and advances to customers has been applied in line with the definitions set out on page 201 in Note 1 'Material Accounting Policies'.

Additional disclosures on the stage allocation and movements of loans and advances to customers can be found on page 94 in the Risk Report.

(c) Adjustments

By their nature, limitations in the group's expected credit loss models or input data may be identified through ongoing model monitoring and validation of models. In certain circumstances, management make appropriate adjustments to model-calculated expected credit losses. Adjustments have been identified as a key source of estimation uncertainty as set out in Note 2 'Critical Accounting Judgements and Estimates'.

10. Loans and Advances to Customers (continued)

(d) Reconciliation of loans and advances to customers held at amortised cost and impairment provisions

Reconciliation of gross loans and advances to customers and associated impairment provisions are set out below.

New financial assets originate in Stage 1 only, and the amount presented represents the value at origination.

Subsequently, a loan may transfer between stages, and the presentation of such transfers is based on a comparison of the loan at the beginning of the year (or at origination if this occurred during the year) and the end of the year (or just prior to final repayment or write off).

Repayments relating to loans which transferred between stages during the year are presented within the transfers between stages lines. Such transfers do not represent overnight reclassification from one stage to another. All other repayments are presented in a separate line.

ECL model methodologies may be updated or enhanced from time to time and the impacts of such changes are presented on a separate line. During the year, a number of enhancements were made to the models in the Premium business. The enhancements were made to address known model limitations and to ensure modelled provisions better reflect future loss emergence.

Enhancements to our model suite are a contributory factor to ECL movements and such factors have been taken into consideration when assessing any required adjustments to modelled output and ensuring appropriate provision coverage levels.

A loan is written off when there is no reasonable expectation of further recovery following realisation of all associated collateral and available recovery actions against the customer.

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
Gross loans and advances to customers held at amortised cost				
At 1 August 2023	7,990.2	1,062.0	583.4	9,635.6
New financial assets originated	6,695.5	—	—	6,695.5
Transfers to Stage 1	138.2	(205.2)	(7.6)	(74.6)
Transfers to Stage 2	(1,165.5)	904.8	(8.4)	(269.1)
Transfers to Stage 3	(310.2)	(130.8)	329.1	(111.9)
Net transfer between stages and repayments ¹	(1,337.5)	568.8	313.1	(455.6)
Repayments while stage remained unchanged and final repayments	(4,936.3)	(501.2)	(114.4)	(5,551.9)
Changes to model methodologies	—	—	—	—
Write offs	(1.4)	(0.8)	(56.6)	(58.8)
At 31 July 2024	8,410.5	1,128.8	725.5	10,264.8

1. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

	Stage 1 £ million	Stage 2 £ million	Stage 3 ¹ £ million	Total £ million
Gross loans and advances to customers held at amortised cost				
At 1 August 2022	7,627.0	1,158.9	358.6	9,144.5
New financial assets originated	6,604.0	—	—	6,604.0
Transfers to Stage 1	276.2	(373.2)	(6.8)	(103.8)
Transfers to Stage 2	(1,068.6)	878.6	(16.1)	(206.1)
Transfers to Stage 3	(303.6)	(194.4)	421.5	(76.5)
Net transfer between stages and repayments ²	(1,096.0)	311.0	398.6	(386.4)
Repayments while stage remained unchanged and final repayments	(5,118.8)	(403.5)	(100.4)	(5,622.7)
Changes to model methodologies	(25.6)	(4.0)	29.6	—
Write offs	(0.4)	(0.4)	(103.0)	(103.8)
At 31 July 2023	7,990.2	1,062.0	583.4	9,635.6

1. A significant proportion of the Stage 3 movements is driven by Novitas with £174.4 million of transfers to Stage 3 and £37.4 million of write-offs. In addition, £49.2 million of Novitas movements are included within 'Repayments while stage remained unchanged and final repayments', comprising largely of accrued interest. The accrued interest is partly offset by ECL increases included within the adjacent ECL reconciliation, in line with IFRS 9's requirement to recognise interest income on Stage 3 loans on a net basis. Further information on Novitas can be found in the Credit Risk section of the Risk Report.

2. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

The gross carrying amount before modification of loans and advances to customers which were modified during the year while in Stage 2 or 3 was £283.1 million (2023: £152.3 million). No gain or loss (2023: £nil) was recognised as a result of these modifications. The gross carrying amount at 31 July 2024 of modified loans and advances to customers which transferred from Stage 2 or 3 to Stage 1 during the year was £38.7 million (31 July 2023: £14.8 million). The definition and accounting policy for modifications are set out in Note 1(i).

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
Impairment provisions on loans and advances to customers held at amortised cost				
At 1 August 2023	58.1	32.2	290.3	380.6
New financial assets originated	51.7	—	—	51.7
Transfers to Stage 1	0.6	(3.9)	(0.7)	(4.0)
Transfers to Stage 2	(13.4)	31.4	(1.1)	16.9
Transfers to Stage 3	(5.9)	(12.0)	98.7	80.8
Net remeasurement of expected credit losses arising from transfer of stages and repayments ¹	(18.7)	15.5	96.9	93.7
Repayments and ECL movements while stage remained unchanged and final repayments	(37.7)	(15.6)	26.6	(26.7)
Changes to model methodologies	—	—	—	—
Charge to the income statement	(4.7)	(0.1)	123.5	118.7
Write offs	(1.2)	(0.8)	(51.5)	(53.5)
At 31 July 2024	52.2	31.3	362.3	445.8

1. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

	Stage 1 £ million	Stage 2 £ million	Stage 3 ¹ £ million	Total £ million
Impairment provisions on loans and advances to customers held at amortised cost				
At 1 August 2022	50.3	78.3	157.0	285.6
New financial assets originated	46.7	—	—	46.7
Transfers to Stage 1	1.2	(7.7)	(1.0)	(7.5)
Transfers to Stage 2	(8.7)	27.7	(5.7)	13.3
Transfers to Stage 3	(11.2)	(53.3)	227.2	162.7
Net remeasurement of expected credit losses arising from transfer of stages and repayments ²	(18.7)	(33.3)	220.5	168.5
Repayments and ECL movements while stage remained unchanged and final repayments	(17.8)	(10.7)	(20.0)	(48.5)
Changes to model methodologies	(2.2)	(1.9)	2.3	(1.8)
Charge to the income statement	8.0	(45.9)	202.8	164.9
Write offs	(0.2)	(0.2)	(69.5)	(69.9)
At 31 July 2023	58.1	32.2	290.3	380.6

1. A significant proportion of the Stage 3 movements is driven by Novitas with £147.6 million of transfers to Stage 3 and £11.9 million of write-offs. Further information on Novitas can be found in the Credit Risk section of the Risk Report.

2. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

10. Loans and Advances to Customers (continued)

	2024 £ million	2023 £ million
Impairment losses relating to loans and advances to customers held at amortised cost:		
Charge to income statement arising from movement in impairment provisions	118.7	164.9
Amounts written off directly to income statement and other costs, net of discount unwind on Stage 3 loans to interest income, and recoveries	(21.7)	39.4
	97.0	204.3
Impairment losses/(gains) relating to other financial assets	1.8	(0.2)
Impairment losses on financial assets recognised in income statement	98.8	204.1

Impairment losses on financial assets of £98.8 million (2023: £204.1 million) include £6.4 million in relation to Novitas (2023: £116.8 million). The Novitas impairment relates to an extension of the time to recovery assumptions from insurers and reflects management's latest assessment including the current timeline of litigation proceedings.

The contractual amount outstanding at 31 July 2024 on financial assets that were written off during the period and are still subject to recovery activity is £22.1 million (31 July 2023: £32.3 million).

(e) Finance lease and hire purchase agreement receivables

	31 July 2024 £ million	31 July 2023 £ million
Net loans and advances to customers comprise		
Hire purchase agreement receivables	3,749.8	3,671.3
Finance lease receivables	896.7	803.9
Other loans and advances	5,184.3	4,779.8
At 31 July	9,830.8	9,255.0

The following table shows a reconciliation between gross investment in finance lease and hire purchase agreement receivables included in the net loans and advances to customers table above to present value of minimum lease and hire purchase payments.

	31 July 2024 £ million	31 July 2023 ¹ £ million
Gross investment in finance leases and hire purchase agreement receivables due:		
One year or within one year	1,987.6	1,849.3
>One to two years	1,573.2	1,493.7
>Two to three years	1,168.2	1,175.8
>Three to four years	692.0	652.5
>Four to five years	222.6	205.3
More than five years	46.4	43.1
	5,690.0	5,419.7
Unearned finance income	(904.5)	(820.7)
Present value of minimum lease and hire purchase agreement payments	4,785.5	4,599.0
Of which due:		
One year or within one year	1,671.1	1,567.2
>One to two years	1,326.6	1,268.8
>Two to three years	982.6	999.1
>Three to four years	579.4	553.1
>Four to five years	185.9	173.8
More than five years	39.9	37.0
	4,785.5	4,599.0

1. Restated following a classification misstatement in the prior year maturity profiles with no change in the total amounts. Please see below for further information.

The aggregate cost of assets acquired for the purpose of letting under finance leases and hire purchase agreements was £7,898.6 million (2023: £7,167.5 million). The average effective interest rate on finance leases approximates to 12.2% (2023: 11.0%). The present value of minimum lease and hire purchase agreement payments reflects the fair value of finance lease and hire purchase agreement receivables before deduction of impairment provisions.

The prior year figures in the table above for finance lease and hire purchase agreement receivables have been restated following a classification misstatement. The gross investment in finance leases and hire purchase agreement receivables due in '>one to two years' have decreased by £509.1 million, while '>two to three years', '>three to four years', '>four to five years' and 'more than five years' have increased by £203.3 million, £214.0 million, £89.8 million and £2.0 million respectively with no change in the total amounts. The present value of minimum lease and hire purchase agreement payments due in '>one to two years' have decreased by £422.9 million, while '>two to three years', '>three to four years', '>four to five years' and 'more than five years' have increased by £168.9 million, £177.8 million, £74.6 million and £1.6 million respectively with no change in the total amounts.

11. Debt Securities

	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
	£ million	£ million	£ million	£ million
Sovereign and central bank debt	—	383.7	—	383.7
Supranational, sub-sovereigns and agency ("SSA") bonds	—	145.5	—	145.5
Covered bonds	—	187.7	—	187.7
Long trading positions in debt securities	16.0	—	—	16.0
Other debt securities	0.8	—	6.8	7.6
At 31 July 2024	16.8	716.9	6.8	740.5

	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
	£ million	£ million	£ million	£ million
Sovereign and central bank debt	—	186.1	—	186.1
SSA bonds	—	—	—	—
Covered bonds	—	106.3	—	106.3
Long trading positions in debt securities	15.2	—	—	15.2
Other debt securities	—	—	—	—
At 31 July 2023	15.2	292.4	—	307.6

Movements on the book value of sovereign and central bank debt comprise:

	2024	2023
	£ million	£ million
Sovereign and central bank debt at 1 August	186.1	415.4
Additions	194.2	269.7
Redemptions	—	(459.2)
Currency translation differences	(1.5)	(0.3)
Movement in value	4.9	(39.5)
Sovereign and central bank debt at 31 July	383.7	186.1

Movements on the book value of SSA bonds comprise:

	2024	2023
	£ million	£ million
SSA bonds at 1 August	—	—
Additions	155.4	—
Redemptions	(15.2)	—
Currency translation differences	(0.3)	—
Movement in value	5.6	—
SSA bonds at 31 July	145.5	—

11. Debt Securities (continued)

Movements on the book value of covered bonds comprise:

	2024 £ million	2023 £ million
Covered bonds 1 August	106.3	—
Additions	139.7	105.4
Redemptions/disposals	(59.0)	—
Currency translation differences	(0.3)	—
Movement in value	1.0	0.9
Covered bonds at 31 July	187.7	106.3

12. Equity Shares

	31 July 2024 £ million	31 July 2023 £ million
Long trading positions	25.8	27.8
Other equity shares	1.6	1.5
	27.4	29.3

13. Derivative Financial Instruments

The group enters into derivative contracts with a number of financial institutions for risk management purposes to hedge exposures to interest rate and exchange rate movements. Derivatives are classified as held for trading unless they are designated as being in a hedge accounting relationship. The group's total derivative asset and liability position as reported on the consolidated balance sheet is as follows.

	31 July 2024			31 July 2023		
	Notional value	Assets	Liabilities	Notional value	Assets	Liabilities
	£ million	£ million	£ million	£ million	£ million	£ million
Exchange rate contracts	275.3	2.3	0.4	198.1	0.8	0.4
Interest rate contracts	7,202.6	99.1	128.6	3,493.3	87.7	195.5
	7,477.9	101.4	129.0	3,691.4	88.5	195.9

Interest rate contracts are held for interest rate risk management and interest margin stabilisation purposes. Notional amounts of interest rate contracts totalling £4,752.3 million (31 July 2023: £2,402.7 million) have a residual maturity of more than one year.

Included in the derivatives above are the following cash flow and fair value hedges:

	31 July 2024			31 July 2023		
	Notional value	Assets	Liabilities	Notional value	Assets	Liabilities
	£ million	£ million	£ million	£ million	£ million	£ million
Cash flow hedges						
Interest rate contracts	514.4	4.8	0.6	297.7	8.5	2.9
Fair value hedges						
Interest rate contracts	4,431.7	78.8	116.3	1,614.7	42.2	173.3

Where derivatives are designated as being in a hedge accounting relationship, the group applies fair value and cash flow hedging if the relevant transaction meets the required documentation and hedge effectiveness criteria.

Fair value hedge accounting

Fair value hedges seek to hedge the exposure to changes in the fair value of recognised assets and liabilities or firm commitments. For fair value hedges of interest rate risk, changes in the benchmark interest rate are considered the largest component of the overall change in fair value. Other risks such as credit risk are managed but excluded from the hedge accounting relationship. Changes in the fair value of derivatives in a fair value hedge are recorded in the income statement, along with changes in the fair value of the hedged item (asset or liability) attributable to the hedged risk. If the hedged item is measured at amortised cost, the fair value changes due to the hedged risk adjust the carrying amount of the hedged asset or liability. If the hedge no longer qualifies for hedge accounting, changes in the fair value of the hedged item attributable to the hedged risk are no longer recognised in the income statement and the cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement over the period to maturity. For micro fair value hedges, this is applied using a straight-line method over the period to maturity.

Cash flow hedge accounting

Cash flow hedges seek to hedge the exposure to variability in future cash flows due to movements in the relevant benchmark interest rate with interest rate swaps. These future cash flows relate to future interest payments or receipts on recognised financial instruments and on forecast transactions for periods of six (2023: seven) years. The effective portion of changes in the fair value of qualifying cash flow hedges is recognised in other comprehensive income within the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires, is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity remains there until the forecast transaction is recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is immediately transferred to the income statement. The group applies portfolio cash flow hedging for interest rate risk exposures on a portfolio of actual and forecast variable interest rate cash flows arising from variable rate borrowings. Cash flow hedge accounting is applied when hedging interest rate risk exposures on floating rate assets.

To assess hedge effectiveness the change in fair value or cash flows of the hedging instruments is compared with the change in fair value or cash flows of the hedged item attributable to the hedged risk. A hedge is considered highly effective if the results are within a ratio of 80%-125%.

The main sources of hedge ineffectiveness can include, but are not limited to, basis mismatch, maturity mismatch, credit valuation adjustments and cash flow timing mismatch between the hedged item and the hedging instrument.

The maturity profiles for the notional amounts of the group's cash flow and fair value hedges are set out as follows.

	On demand £ million	Within three month £ million	Between three and six months £ million	Between six months and one year £ million	Between one and five years £ million	After more than five years £ million	Total £ million
Cash flow hedges							
Interest rate risk							
31 July 2024	—	6.1	1.4	3.2	482.0	21.7	514.4
31 July 2023	—	90.8	0.3	27.7	137.7	41.2	297.7
Fair value hedges							
Interest rate risk							
31 July 2024	—	516.1	672.3	1,080.7	1,446.5	716.1	4,431.7
31 July 2023	—	51.0	0.6	190.6	690.0	682.5	1,614.7

Cash flow hedges have an average fixed rate of 4.0% (31 July 2023: 2.0%). Fair value hedges have an average fixed rate of 3.7% (31 July 2023: 1.6%).

Details of the hedging instruments for the group's hedge ineffectiveness assessment are set out as follows.

	Changes in fair value of hedging instrument used for calculating hedge ineffectiveness 2024 £ million	Hedge ineffectiveness recognised in income statement 2024 £ million	Changes in fair value of hedging instrument used for calculating hedge ineffectiveness 2023 £ million	Hedge ineffectiveness recognised in income statement 2023 £ million
Cash flow hedges				
Interest rate risk	(0.9)	—	(26.2)	(0.1)
Fair value hedges				
Interest rate risk	50.9	—	(74.6)	—

The carrying amount of hedging interest rate swaps is held within derivative financial instruments and the hedge ineffectiveness is held within other income. Details of the hedged exposures covered by the group's hedging strategies are set out as follows.

13. Derivative Financial Instruments (continued)

	Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged item	Changes in fair value of hedged item used for calculating hedge ineffectiveness
	£ million	£ million	£ million
At 31 July 2024			
Fair value hedges			
Assets			
Debt securities	355.7	(15.2)	11.8
Loans and advances to customers and undrawn commitments	146.8	(9.3)	4.1
	502.5	(24.5)	15.9
Liabilities			
Deposits by customers	3,092.2	4.2	8.1
Debt securities in issue	596.3	(95.7)	46.8
Subordinated loan capital	187.2	(13.3)	11.8
	3,875.7	(104.8)	66.7

	Carrying amount of hedged item	Accumulated amount of fair value adjustments on the hedged item	Changes in fair value of hedged item used for calculating hedge ineffectiveness
	£ million	£ million	£ million
At 31 July 2023			
Fair value hedges			
Assets			
Debt securities	186.1	(27.0)	(3.0)
Loans and advances to customers and undrawn commitments	124.3	(13.4)	(8.6)
	310.4	(40.4)	(11.6)
Liabilities			
Deposits by customers	280.3	(3.9)	(3.9)
Debt securities in issue	613.6	(142.5)	(70.2)
Subordinated loan capital	174.9	(25.1)	(12.1)
	1,068.8	(171.5)	(86.2)

Details of the impact of hedging relationships on the income statement and other comprehensive income are set out as follows.

	Changes in fair value of hedged item used for calculating hedge ineffectiveness	Gains/(losses) on discontinued hedges recognised in other comprehensive income	(Losses)/gains from changes in value of hedging instrument recognised in other comprehensive income	Amounts reclassified from reserves to income statement ¹
	£ million	£ million	£ million	£ million
Cash flow hedges				
Interest rate risk				
31 July 2024	1.0	14.4	(0.9)	28.9
31 July 2023	26.1	43.3	(26.1)	1.5

1. Amounts have been reclassified to other income since hedged cash flows will no longer occur following de-designation.

14. Intangible Assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Group total £ million	Company software £ million
Cost					
At 1 August 2022	142.6	299.5	51.0	493.1	0.4
Additions	—	50.5	—	50.5	—
Disposals	(0.1)	(16.8)	(0.6)	(17.5)	(0.2)
At 31 July 2023	142.5	333.2	50.4	526.1	0.2
Additions	8.3	28.1	7.3	43.7	0.1
Disposals	—	(12.6)	(0.3)	(12.9)	—
At 31 July 2024	150.8	348.7	57.4	556.9	0.3
Amortisation					
At 1 August 2022	47.9	147.4	45.8	241.1	0.4
Amortisation charge for the year	—	36.1	1.5	37.6	—
Disposals	—	(15.7)	(0.6)	(16.3)	(0.2)
At 31 July 2023	47.9	167.8	46.7	262.4	0.2
Amortisation charge for the year	—	38.9	1.4	40.3	0.1
Disposals	—	(11.4)	(0.4)	(11.8)	—
At 31 July 2024	47.9	195.3	47.7	290.9	0.3
Net book value at 31 July 2024	102.9	153.4	9.7	266.0	—
Net book value at 31 July 2023	94.6	165.4	3.7	263.7	—
Net book value at 1 August 2022	94.7	152.1	5.2	252.0	—

Goodwill additions of £8.3 million (2023: £nil) and intangible assets on acquisition additions of £7.3 million (2023: £nil) relate to the group's acquisition of the 100% shareholdings of Bluestone Motor Finance (Ireland) DAC ("Bluestone") (goodwill of £4.7 million and intangible assets on acquisition of £3.6 million) and Bottriell Adams LLP ("Bottriell Adams") (goodwill of £3.7 million and intangible assets on acquisition of £3.7 million).

Bluestone, a provider of motor finance in Ireland, was acquired for cash consideration of €17.2 million on 31 October 2023. Net assets of €7.8 million were acquired, largely comprising loans and advances to customers, cash, debt securities and borrowings. Bluestone is a well-established brand in Ireland with industry-leading technology and an established network of over 650 dealer partners and an experienced sales and underwriting team. This acquisition will allow the Motor Finance business to rebuild its presence in Ireland. These factors and the expected synergies are reflected in the goodwill and intangible assets on acquisition recognised by the group. Following the acquisition, Bluestone has been rebranded to Close Brothers Motor Finance ("CBMF").

Bottriell Adams, an IFA business based in Dorset, was acquired for total consideration of £6.6 million comprising an initial cash payment on acquisition and contingent consideration. The acquisition was completed in March 2024. Bottriell Adams, with approximately £240 million of client assets on acquisition, allows the Asset Management division to extend its regional presence in the South West. The customer relationships are reflected in the £3.7 million of intangible assets on acquisition.

Software includes assets under development of £35.4 million (31 July 2023: £88.8 million).

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

In the 2024 financial year, £1.4 million (2023: £1.5 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £38.9 million (2023: £36.1 million) of the amortisation charge is included in administrative expenses shown in the consolidated income statement.

14. Intangible Assets (continued)

Impairment tests for goodwill

Overview

At 31 July 2024, goodwill has been allocated to nine (31 July 2023: eight) individual CGUs. Seven (31 July 2023: six) are within the Banking division with an additional CGU this year following the acquisition of Close Brothers Finance DAC, one is the Asset Management division and the remaining one is Winterflood in the Securities division.

Goodwill is allocated to the CGU in which the historical acquisition occurred and hence the goodwill originated. Further information on the performance of each division can be found in Note 3 'Segmental Analysis'. Goodwill impairment reviews are carried out annually by assessing the recoverable amount of the group's CGUs, which is the higher of fair value less costs to sell and value in use. The recoverable amounts for all CGUs were measured based on value in use.

Methodology

A value in use calculation uses discounted cash flow forecasts based on the most recent three-year plans to determine the recoverable amount of each CGU. The most relevant assumptions underlying management's three-year plans, which are based on past experience and forecast market conditions, are expected loan book growth rates, net return on loan book and future capital requirements in the Banking CGUs, expected total client asset growth rate and revenue margin in the Asset Management CGU and expected trading levels in the Winterflood CGU. While these assumptions are relevant to management's plans, they may not all be key assumptions in the goodwill impairment test.

In addition, while CGUs are not individually regulated, for the purposes of an impairment assessment, theoretical capital requirements have been taken into consideration in calculating a CGU's value in use and carrying value to ensure that capital constraints on free cash flows are appropriately reflected and the carrying value is on a comparable basis.

Beyond the group's three-year planning horizon, estimates of future cash flows in the fourth and fifth years are made by management with due consideration given to the relevant assumptions set out above. After the fifth year, a terminal value is calculated using an annual growth rate of 2%, which is consistent with the UK government's long-term inflation target.

The cash flows are discounted using a pre-tax estimated weighted average cost of capital as set out in the following table. The methodology used to derive the discount rates was further updated during the year with valuation experts engaged where appropriate and refinements to the beta and size premium assumptions in the cost of capital calculation.

Beta is a measure of systematic risk and a lower beta has been applied to the Banking CGUs this year following a review by valuation experts. In addition, an appropriate size premium has been consistently applied to all CGUs based on the size of the group and not the size of the individual CGUs for the first time this year. The size premium represents an estimate of the additional risk premium required by investors where typically a smaller size would require a larger premium.

The discount rates used differ across the CGUs, reflecting the nature of the CGUs' business and the current market returns appropriate to the CGU that investors would require for a similar asset. The discount rates for the Banking and Winterflood CGUs have decreased while CBAM has increased this year following the aforementioned methodology refinements.

Assessment

At 31 July 2024, the results of the review indicate there is no goodwill impairment. The inputs used in the value in use calculations are sensitive primarily to changes in the assumptions for future cash flows, which include consideration for future capital requirements and discount rates. Having performed stress tested value in use calculations, the group believes that any reasonably possible change in the key assumptions which have been used would not lead to the carrying value of any CGU to exceed its recoverable amount except Winterflood and Motor Finance.

Winterflood continued to experience difficult market conditions and recorded a small loss in the year. The business has a long track record of trading profitably in a range of conditions and is well placed to take advantage when investor confidence recovers. Nevertheless, consistent with the prior year, future market conditions remain uncertain and as such the value in use calculation for this CGU has been identified as a key source of estimation uncertainty as set out in Note 2 'Critical Accounting Judgements and Estimates'.

The Motor Finance CGU, which includes goodwill of £3.0 million and other intangible assets of £15.3 million, relates to the UK business and excludes the recent Close Brothers Finance DAC acquisition. The CGU has seen strong business volumes over the year but the market and regulatory backdrop is expected to present some challenges to the future cash flows, therefore this CGU has been identified as a key source of estimation uncertainty for the first time this year. The value in use of Motor Finance excludes any potential redress provision impact of the FCA's discretionary commission arrangements review since it is considered to be a legacy matter that relates to the excess capital of the parent and has no impact on the trading forecasts of the CGU itself.

The most significant uncertainty within the Winterflood value in use calculation relates to the expected future cash flows and when they return to normalised levels. The VIU of Winterflood is calculated to be 136% above carrying value at 31 July 2024 and for the purposes of goodwill modelling, management have projected that trading will gradually return to normalised levels over the medium term.

A 33% reduction in the year five cash flows and all subsequent years would result in a recoverable amount that is equal to the carrying value of the CGU, that is, the headroom between the two is reduced to nil. In the discounted cash flows model, delaying all cash flows by one year, which would reduce the terminal value, would reduce the VIU headroom by 58%. The discount rate is also an important driver of the value in use calculation and an absolute increase of 3.1% in the rate would also result in nil headroom.

The most significant uncertainty within the Motor Finance value in use calculation relates to the expected future cash flows, which include consideration for the CGU's forecast capital charge, and when they return to more normalised growth levels. While as noted previously the cash flows exclude any potential redress provision impact of the FCA's commissions review, the cash flows are nevertheless impacted by the overall uncertainty introduced by the FCA's review and the group's strategic and capital actions response. As described in Note 2, determining the impact on goodwill of the FCA's review and management's response is a critical accounting judgement. It also represents a key assumption for the Motor goodwill impairment assessment. Management's expectations on a return of the cash flows to more normalised growth levels are based on the review timeline set out by the FCA.

A 21% reduction in the annual cash flows included within the terminal value of the Motor CGU would result in a recoverable amount that is equal to the carrying value of the CGU. In the discounted cash flows model, delaying all cash flows by one year, which would reduce the terminal value, would result in the full impairment of the goodwill and other intangible assets totalling £18.3 million in the Motor CGU. However, this outcome reflects the CGU sensitivity and does not include all possible management actions which may affect capital and cash flow forecasts for each CGU of the Banking division if any further response were required due to delays linked to the FCA review. Separately, an absolute increase of 1.6% in the discount rate would result in nil headroom.

These scenarios for Winterflood and Motor Finance are a demonstration of sensitivity only and are not management's base case scenarios.

As set out in Note 29 "Post Balance Sheet Event", following a comprehensive strategic review, the group announced it entered into an agreement to sell CBAM to Oaktree on 19 September 2024. The goodwill associated with the CBAM CGU is £43.5 million. This post balance sheet transaction has no impact on the conclusion of the goodwill impairment assessment and the recoverable amount of the CGU remained above its carrying value at 31 July 2024.

Details of the CGUs in which the goodwill carrying amount is significant in comparison with total goodwill, together with the pre-tax discount rate used in determining value in use, are disclosed separately in the table below:

Cash generating unit	31 July 2024		31 July 2023	
	Goodwill £ million	Pre-tax discount rate %	Goodwill £ million	Pre-tax discount rate %
Asset Management	43.5	14.8	39.8	11.6
Winterflood Securities	23.3	14.8	23.3	16.9
Banking division CGUs	36.1	14.5-15.4	31.5	17.0-17.3
	102.9		94.6	

15. Property, Plant and Equipment

	Leasehold property £ million	Fixtures, fittings and equipment £ million	Assets held under operating leases £ million	Motor vehicles £ million	Right of use assets ¹ £ million	Total £ million
Group						
Cost						
At 1 August 2022	20.9	62.6	398.2	0.2	78.5	560.4
Additions	1.0	7.5	93.1	0.2	24.7	126.5
Disposals	(0.4)	(4.6)	(42.2)	—	(9.2)	(56.4)
At 31 July 2023	21.5	65.5	449.1	0.4	94.0	630.5
Additions	1.3	12.9	64.7	—	10.0	88.9
Disposals	(0.4)	(13.3)	(71.9)	—	(11.1)	(96.7)
At 31 July 2024	22.4	65.1	441.9	0.4	92.9	622.7
Depreciation						
At 1 August 2022	13.0	36.9	158.2	0.2	29.6	237.9
Depreciation and impairment charges for the year	2.4	8.3	45.5	—	14.4	70.6
Disposals	(0.4)	(4.3)	(25.8)	—	(4.6)	(35.1)
At 31 July 2023	15.0	40.9	177.9	0.2	39.4	273.4
Depreciation and impairment charges for the year	2.3	9.1	44.4	0.1	15.5	71.4
Disposals	(0.3)	(13.4)	(48.3)	—	(9.7)	(71.7)
At 31 July 2024	17.0	36.6	174.0	0.3	45.2	273.1
Net book value at 31 July 2024	5.4	28.5	267.9	0.1	47.7	349.6
Net book value at 31 July 2023	6.5	24.6	271.2	0.2	54.6	357.1
Net book value at 1 August 2022	7.9	25.7	240.0	—	48.9	322.5

1. Right of use assets primarily relate to the group's leasehold properties.

The net book value of assets held under operating leases includes £0.6 million (31 July 2023: £5.9 million) relating to vehicles held in inventories. There was a gain of £0.4 million from the sale of assets held under operating leases for the year ended 31 July 2024 (2023: £3.3 million).

	31 July 2024	31 July 2023
	£ million	£ million
Future minimum lease rentals receivable under non-cancellable operating leases		
One year or within one year	51.0	50.8
>One to two years	36.1	34.1
>Two to three years	28.2	22.5
>Three to four years	19.1	14.9
>Four to five years	6.7	8.1
More than five years	2.1	2.3
	143.2	132.7

	Leasehold property £ million	Fixtures, fittings and equipment £ million	Total £ million
Company			
Cost			
At 1 August 2022	0.3	11.8	12.1
Additions	—	—	—
At 31 July 2023	0.3	11.8	12.1
Additions	—	—	—
At 31 July 2024	0.3	11.8	12.1
Depreciation			
At 1 August 2022	0.1	1.8	1.9
Charge for the year	—	1.3	1.3
At 31 July 2023	0.1	3.1	3.2
Charge for the year	—	1.2	1.2
At 31 July 2024	0.1	4.3	4.4
Net book value at 31 July 2024	0.2	7.5	7.7
Net book value at 31 July 2023	0.2	8.7	8.9
Net book value at 1 August 2022	0.2	10.0	10.2

The net book value of leasehold property comprises:

	Group		Company	
	31 July 2024	31 July 2023	31 July 2024	31 July 2023
	£ million	£ million	£ million	£ million
Long leasehold property	1.1	1.2	0.2	0.2
Short leasehold property	4.3	5.3	—	—
	5.4	6.5	0.2	0.2

16. Other Assets and Liabilities

	31 July 2024	31 July 2023
	£ million	£ million
Prepayments, accrued income and other assets		
Prepayments	110.7	117.3
Accrued income	21.1	20.0
Trade and other receivables	54.9	46.8
	186.7	184.1
Accruals, deferred income and other liabilities		
Accruals	118.0	130.3
Deferred income	7.5	7.9
Trade and other payables	148.7	145.6
Provisions	32.3	19.2
	306.5	303.0

Restructuring costs

The group incurred £3.1 million of restructuring costs in the 2024 financial year which includes the recognition of an accrual primarily relating to redundancy and associated costs of £0.9 million. These costs do not reflect underlying trading performance and therefore have been presented as a separate adjusting item and excluded from adjusted operating profit by management.

Provisions movement in the year:

	Legal and regulatory £ million	Property £ million	Other £ million	Total £ million
Group				
At 1 August 2022	8.9	6.7	8.3	23.9
Additions	1.6	1.5	4.1	7.2
Utilisation	(6.2)	—	(2.0)	(8.2)
Released	(2.0)	(0.1)	(1.6)	(3.7)
At 31 July 2023	2.3	8.1	8.8	19.2
Additions	19.1	1.4	3.5	24.0
Utilisation	(1.8)	(1.0)	(6.5)	(9.3)
Released	—	(0.6)	(1.0)	(1.6)
At 31 July 2024	19.6	7.9	4.8	32.3

	Property £ million	Other £ million	Total £ million
Company			
At 1 August 2022	0.4	3.0	3.4
Additions	—	0.4	0.4
Utilisation	—	(0.7)	(0.7)
Released	—	(0.7)	(0.7)
At 31 July 2023	0.4	2.0	2.4
Additions	—	0.3	0.3
Utilisation	—	(0.7)	(0.7)
Released	—	(0.4)	(0.4)
At 31 July 2024	0.4	1.2	1.6

Provisions are made for claims and other items which arise in the normal course of business. Claims relate to legal and regulatory cases, while other items largely relate to property dilapidations and employee benefits. For such matters, a provision is recognised where it is determined that there is a present obligation arising from a past event, payment is probable, and the amount can be estimated reliably. The timing and/or outcome of these claims and other items are uncertain.

Review of Borrowers in Financial Difficulty

Following discussions with the FCA in relation to its market wide review of Borrowers in Financial Difficulty (“BiFD”), which assessed forbearance and related practices, the group conducted a Past Business Review of customer forbearance related to its motor finance lending. This has now concluded and a provision of £17.2 million has been recognised at 31 July 2024 in relation to this matter under the category of legal and regulatory in the table above.

As a result of this review, certain customers will be due compensation and the group is undertaking an exercise to identify and remediate these customers as appropriate. We have commenced making compensation payments to customers, with the resulting remediation programme expected to be materially complete this calendar year.

The provision comprises estimates of the expected customer compensation and the associated operational costs. The final remediation cost remains uncertain with data to identify customers who are due remediation being collated.

The £17.2 million provision is based on a probability weighting methodology taking into account assumptions such as the number of customers in scope of the exercise, the average payments due to customers, and the expected cost of remediation for the group.

The provision does not reflect underlying trading performance and therefore has been presented as a separate adjusting item and excluded from adjusted operating profit by management.

17. Settlement Balances and Short Positions

	31 July 2024	31 July 2023
	£ million	£ million
Settlement balances	600.1	686.0
Short positions in:		
Debt securities	5.5	3.5
Equity shares	9.3	6.4
	14.8	9.9
	614.9	695.9

18. Financial Liabilities

	On demand	Within three months	Between three months and one year	Between one and two years	Between two and five years	After five years	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Deposits by banks	0.9	53.0	84.5	—	—	—	138.4
Deposits by customers	706.6	2,320.7	3,397.9	1,685.2	583.2	—	8,693.6
Loans and overdrafts from banks	46.6	9.0	—	110.0	—	—	165.6
Debt securities in issue	—	21.9	246.6	799.0	595.3	323.6	1,986.4
At 31 July 2024	754.1	2,404.6	3,729.0	2,594.2	1,178.5	323.6	10,984.0

	On demand	Within three months	Between three months and one year	Between one and two years	Between two and five years	After five years	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Deposits by banks	10.3	43.6	88.0	—	—	—	141.9
Deposits by customers	175.1	1,836.4	3,745.9	1,305.0	662.1	—	7,724.5
Loans and overdrafts from banks	31.8	20.1	228.0	262.0	110.0	—	651.9
Debt securities in issue	—	30.4	228.7	197.8	1,261.8	293.9	2,012.6
At 31 July 2023	217.2	1,930.5	4,290.6	1,764.8	2,033.9	293.9	10,530.9

At 31 July 2024, the parent company had £250.8 million (31 July 2023: £250.5 million) of non-instalment debt securities in issue with an interest rate of 7.75% and a final maturity date of 2028.

18. Financial Liabilities (continued)

As outlined in Note 26(c), at 31 July 2024 the group accessed £110.0 million (31 July 2023: £600.0 million) and £nil (31 July 2023: £5.0 million) cash under the Bank of England's Term Funding Scheme with Additional Incentives for SMEs and Indexed Long-Term Repo respectively. Cash from these schemes is included within loans and overdrafts from banks. Residual maturities of the schemes 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 2024	—	0.5	—	110.0	—	—	110.5
At 31 July 2023	—	7.6	228.0	262.0	110.0	—	607.6

19. Subordinated Loan Capital

	Prepayment date	Initial interest rate	31 July 2024 £ million	31 July 2023 £ million
Final maturity date				
2031	2026	2.00%	187.2	174.9
			187.2	174.9

At 31 July 2024, the parent company had £200.8 million (31 July 2023: £200.4 million) of subordinated loan capital with an interest rate of 2.00% and a final maturity date of 2031.

20. Called Up Share Capital, Distributable Reserves and Other Equity Instrument

	31 July 2024		31 July 2023	
	million	£ million	million	£ million
Group and company				
Ordinary shares of 25p each (allotted, issued and fully paid)	152.1	38.0	152.1	38.0

At 31 July 2024, the company's reserves available for distribution under section 830(2) and 831(2) of the Companies Act 2006 were £299.6 million (2023: £401.9 million). The directors have applied the guidance provided by ICAEW TECH 02/17 in determining this.

Other equity instrument comprises the group's £200.0 million Fixed Rate Reset Perpetual Subordinated Contingent Convertible Securities, or Additional Tier 1 capital ("AT1"), issued on 29 November 2023. These AT1 securities are classified as an equity instrument under IAS 32 'Financial Instruments: Presentation' with the proceeds recognised in equity net of transaction costs of £2.4 million.

These securities carry a coupon of 11.125%, payable semi-annually on 29 May and 29 November of each year and have a first reset date on 29 May 2029. The first coupon payment of £11.1 million was made on 29 May 2024. The securities include, among other things, a conversion trigger of 7.0% Common Equity Tier 1 capital ratio and are callable any time in the six-month period prior to and including the first reset date or on each reset date occurring every five years thereafter.

Additional disclosures on the group's capital position and capital risk can be found on pages 86 to 88 in the Capital risk section of the Risk Report.

21. Guarantees, Commitments and Contingent Liabilities

Guarantees

	Group		Company	
	31 July 2024 £ million	31 July 2023 £ million	31 July 2024 £ million	31 July 2023 £ million
Earliest period in which guarantee could be called				
Within one year	137.7	114.0	130.0	105.0
More than one year	3.7	3.2	—	—
	141.4	117.2	130.0	105.0

Guarantees arise in the normal course of business and include performance guarantees issued by certain businesses. Where the group undertakes to make a payment on behalf of its subsidiaries for guarantees issued, such as bank facilities or property leases, or as irrevocable letters of credit for which an obligation to make a payment to a third party has not arisen at the reporting date, they are included in these consolidated financial statements.

Commitments

Undrawn facilities, credit lines and other commitments to lend - revocable and irrevocable

	31 July 2024	31 July 2023
	£ million	£ million
Within one year ¹	1,038.2	1,228.5
After more than one year	9.5	—
	1,047.7	1,228.5

Other commitments

Subsidiaries had contracted capital and other financial commitments of £46.5 million (2023: £80.6 million).

Operating lease commitments

During the year, the company recognised lease payments as an expense of £2.1 million (2023: £2.1 million). At 31 July 2024, the company had future minimum lease payments under non-cancellable operating leases relating to property of £2.1 million within one year, £8.3 million between one and five years, and £2.2 million after more than five years, totalling £12.6 million (31 July 2023: £2.1 million, £8.3 million, and £4.3 million respectively, totalling £14.7 million).

Contingent liabilities

Motor Finance commission arrangements

FCA review

As disclosed in previous periods, the group continues to receive a high number of complaints, many of which are now with the Financial Ombudsman Service ("FOS"), and is subject to a number of claims through the courts regarding historic Discretionary Commission Arrangements ("DCAs") with intermediaries on its Motor Finance products. This follows the FCA's Motor Market Review in 2019.

On 11 January 2024, the FOS published its first two decisions upholding customer complaints relating to DCAs against two other lenders in the market and instructed them to pay compensation to the complainants if they accepted the outcome. On the same day, recognising that these decisions were likely to significantly increase the number of complaints to motor finance providers and the FOS, risking disorderly and inconsistent outcomes as well as market instability, the FCA released policy statement PS 24/1 which introduced temporary changes to handling rules for motor finance complaints until at least September 2024.

This means that firms will not have to resolve these complaints within the normal time limits. This was to allow the FCA time to carry out diagnostic work to determine whether or not there has been widespread failure to comply with regulatory requirements which has caused customers harm and, if so, whether it needs to take any action. The FCA has indicated that such steps could include establishing an industry-wide consumer redress scheme and/or applying to the Financial Markets Test Case Scheme, to help resolve any contested legal issues of general importance.

In the FCA's 11 January 2024 announcement, it aimed to communicate a decision on next steps by 24 September 2024. Since then, the FCA further announced on 30 July 2024 that because it has taken longer to collect and review the historical data, and also due to relevant ongoing litigation, it would not be able to set out the next steps of its review by 24 September 2024 as it originally planned and it now aims to set out next steps by the end of May 2025. In addition, the FCA extended the current pause to the 8-week deadline for firms to respond to complaints involving a DCA to 4 December 2025.

Impact on Close Brothers

The group is subject to a number of claims through the courts regarding historical Motor Finance commission arrangements. One of these, initially determined in the group's favour, was appealed by the claimant and the case was heard in early July 2024 by the Court of Appeal 2024 together with two separate claims made against another lender. The Court's decision is now awaited.

As of 31 August 2024, where individual cases were adjudicated in County Court, the courts found that there was no demonstrable customer harm and hence no compensation to pay in the majority of the outcomes for Close Brothers. Nevertheless, there have been only a limited number of adjudicated cases at this stage.

There are also a number of complaints that have been referred to the FOS for a determination. To date, no final FOS decisions have been made upholding complaints against Close Brothers. On 9 May 2024, the FOS announced that it would be unlikely to be able to issue final decisions on motor commission cases for some time due to the potential impact of a judicial review proceeding started by another lender in relation to one of its January 2024 decisions and also the outstanding Court of Appeal decisions.

Consistent with our Half Year 2024 results, there remains significant uncertainty about the outcome of this matter at this early stage. The FCA has indicated there could be a range of outcomes, with one potential outcome being an industry-wide consumer redress scheme. The estimated impact of any redress scheme, if required, is highly dependent on a number of factors such as: the time period covered; the DCA models impacted (the group operated a number of different models during the period under review); appropriate reference commission rates set for any redress; and response rates to any redress scheme. As such, at this early stage, the timing, scope and quantum of any potential financial impact on the group cannot be reliably estimated at present.

21. Guarantees, Commitments and Contingent Liabilities (continued)

Based on the status at the end of the financial year and in accordance with the relevant accounting standards, the board has concluded that no legal or constructive obligation exists and it is currently not required or appropriate to recognise a provision at 31 July 2024. It is also not practicable at this early stage to estimate or disclose any potential financial impact arising from this issue.

During the 2024 financial year, the group incurred costs of £6.9 million in relation to historic motor commission arrangements. This £6.9 million covered the costs of the group dealing with complaints (including FOS fees), legal spend, and investment spend as we prepare for the outcome of the FCA review. These costs do not reflect underlying trading performance and therefore have been presented as a separate adjusting item and excluded from adjusted operating profit by management.

In the normal course of the group's business, there may be other contingent liabilities relating to complaints, legal proceedings or regulatory reviews. These cases are not currently expected to have a material impact on the group.

22. Related Party Transactions

Transactions with key management

Details of directors' remuneration and interests in shares are disclosed in the Directors' Remuneration Report.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of an entity; the group's key management are the members of the group's Executive Committee, which includes all executive directors, together with its non-executive directors.

The table below details, on an aggregated basis, key management personnel emoluments:

	2024	2023
	£ million	£ million
Emoluments		
Salaries and fees	6.0	5.7
Benefits and allowances	0.8	0.6
Performance related awards in respect of the current year:		
Cash	1.7	1.7
	8.5	8.0
Share-based awards	0.7	(0.9)
	9.2	7.1

Gains upon exercise of options by key management personnel, expensed to the income statement in previous years, totalled £1.8 million (2023: £1.4 million).

Key management have banking and asset management relationships with group entities which are entered into in the normal course of business. Amounts included in deposits by customers at 31 July 2024 attributable, in aggregate, to key management were £0.3 million (31 July 2023: £0.5 million).

23. Pensions

The group operates defined contribution pension schemes for eligible employees as well as a defined benefit pension scheme which is closed to new members and further accrual. Assets of all schemes are held separately from those of the group.

Defined contribution schemes

During the year the charge to the consolidated income statement for the group's defined contribution pension schemes was £18.3 million (2023: £16.5 million), representing contributions payable by the group and is included in administrative expenses.

Defined benefit pension scheme

The group's only defined benefit pension scheme ("the scheme") is a final salary scheme which operates under trust law. The scheme is managed and administered in accordance with the scheme's Trust Deed and Rules and all relevant legislation by a trustee board made up of trustees nominated by both the company and the members.

During the last financial year, the scheme entered into a buy-in transaction with an insurance company covering all members of the scheme. A buy-in is a bulk annuity policy that matches the scheme's assets and liabilities. It represents a significant de-risking of the investment portfolio and hence a significant reduction in the group's long-term exposure to pension funding risk. The pension surplus on the group's balance sheet is £0.8 million (31 July 2023: £1.3 million) relating to the cash held by the scheme, with the fair value of the insurance policy matched to the fair value of the scheme's liabilities, which remains subject to changes in actuarial valuations as presented in this note.

The scheme was closed to new entrants in August 1996 and closed to further accrual during 2012. At 31 July 2024 this scheme had 21 (31 July 2023: 24) deferred members, 58 (31 July 2023: 56) pensioners and dependants and 8 (31 July 2023: 8) insured annuitants.

Funding position

The scheme's most recent triennial actuarial valuation at 31 July 2021 showed that the scheme was fully funded. As such, no further contributions are scheduled.

IAS 19 valuation

The following disclosures are reported in accordance with IAS 19. Significant actuarial assumptions are as follows:

	2024	2023
	%	%
Inflation rate (Retail Price Index)	3.4	3.5
Inflation rate (CPI)	3.0	3.1
Discount rate for scheme liabilities ¹	4.9	5.2
Expected interest/expected long-term return on plan assets	4.9	5.2
Mortality assumptions²:		
Existing pensioners from age 65, life expectancy (years):		
Men	22.9	23.0
Women	24.8	24.8
Non-retired members currently aged 50, life expectancy from age 65 (years):		
Men	23.6	23.7
Women	26.1	26.1

1. Based on market yields at 31 July 2024 and 2023 on high quality sterling-denominated corporate bonds, adjusted to be consistent with the estimated term of the post-employment benefit obligation, using the Willis Towers Watson model "Global RATE:Link".
2. Based on standard tables SAPS S2 Light (2023: SAPS S2 Light) produced by the CMI Bureau of the Institute and Faculty of Actuaries with adjusted mortality multipliers for pensioners and non-pensioners, together with projected future improvements in line with the CMI 2023 (2023: CMI 2022) core projection model with a long-term trend of 1.5% per annum.

The scheme has been accounted for in the company and the surplus has been recognised as an asset on the company and group's balance sheet within "Trade and other receivables".

The group has the unconditional right to any surpluses that arise within the scheme once all benefits have been secured in full. As such no asset ceiling has been applied, and accordingly the scheme surplus is recognised on the consolidated balance sheet.

	2024	2023	2022	2021	2020
	£ million	£ million	£ million	£ million	£ million
Fair value of scheme assets ¹					
Equities	—	—	—	9.4	14.0
Bonds	—	—	30.3	33.6	32.3
Cash	0.9	1.4	3.5	0.2	0.3
Insured annuities	23.2	22.4	1.0	—	—
Total assets	24.1	23.8	34.8	43.2	46.6
Fair value of liabilities	(23.3)	(22.5)	(27.6)	(35.6)	(39.2)
Surplus	0.8	1.3	7.2	7.6	7.4

1. There are no amounts included within the fair value of scheme assets relating to the financial instruments of Close Brothers Group plc.

Movement in the present value of scheme liabilities during the year:

	2024	2023
	£ million	£ million
Carrying amount at 1 August	(22.5)	(27.6)
Interest expense	(1.1)	(0.9)
Benefits paid	1.3	1.1
Actuarial (loss)/gain	(1.0)	4.9
Other	—	—
Carrying amount at 31 July	(23.3)	(22.5)

23. Pensions (continued)

Movement in the fair value of scheme assets during the year:

	2024	2023
	£ million	£ million
Carrying amount at 1 August	23.8	34.8
Interest income	1.2	1.1
Benefits paid	(1.2)	(1.1)
Administrative costs paid	(0.6)	(0.4)
Returns/(losses) on scheme assets, excluding interest income	0.9	(10.6)
Carrying amount at 31 July	24.1	23.8

Historical experience of actuarial gains/(losses) are shown below:

	2024	2023	2022	2021	2020
	£ million	£ million	£ million	£ million	£ million
Returns/(losses) on scheme assets	0.9	(10.6)	(8.7)	1.9	4.1
Experience (losses)/gains on scheme liabilities	(0.4)	(0.9)	0.4	—	—
Impact of changes in assumptions	(0.5)	5.8	8.2	(1.4)	(3.2)
Total actuarial changes in liabilities	(0.9)	4.9	8.6	(1.4)	(3.2)
Total actuarial gains/(losses)	—	(5.7)	(0.1)	0.5	0.9

Any actuarial movements would be recognised in other comprehensive income. Income of £0.1 million (2023: £0.2 million) from the interest on the scheme surplus has been recognised within administrative expenses in the consolidated income statement. The group's policy is not to allocate the net defined benefit cost between group entities participating in the scheme.

The valuation of the scheme's liabilities is sensitive to the key assumptions used in the valuation. The effect of a change in those assumptions in 2024 and 2023 is set out below. The analysis reflects the variation of the individual assumptions. The variation in price inflation includes all inflation-linked pension increases in deferment and in payment.

Key assumption	Sensitivity	Impact on defined benefit obligation increase/(decrease)			
		2024		2023	
		%	£ million	%	£ million
Discount rate	0.25% decrease	2.8	0.6	2.9	0.7
Price inflation (RPI)	0.25% increase	1.3	0.3	1.1	0.3
Mortality	Increase in life expectancy at age 65 by one year	2.7	0.6	2.6	0.6

The company is exposed to a number of risks relating to the scheme, including assumptions not being borne out in practice. Some of the most significant risks are as follows, although the list is not exhaustive.

- **Change in bond yields:** A decrease in corporate bond yields will increase the value placed on the scheme's defined benefit obligation ("DBO"), although following the buy-in transaction this will be largely offset by an increase in the value of the scheme's assets.
- **Asset volatility:** There is a risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the scheme's DBO. This risk has been significantly reduced by the purchase of an insurance policy to cover the scheme's liabilities.
- **Inflation risk:** The majority of the scheme's DBO is linked to inflation, where higher inflation will lead to a higher value being placed on the DBO. Some of the scheme's non-buy-in assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally decrease the surplus. The value of the buy-in asset will vary with inflation broadly in line with the changes to the scheme's DBO.
- **Life expectancy:** An increase in life expectancy will lead to an increased value being placed on the scheme's DBO and on the insurance policy assets. Future mortality rates cannot be predicted with certainty. The impact on the DBO would be very closely matched by the impact on the buy-in asset value.

The weighted average duration of the benefit payments reflected in the scheme liabilities is 11 years (2023: 12 years).

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. In a judgment delivered on 25 July 2024, the Court of Appeal unanimously upheld the decision of the High Court and the case has the potential to cause significant issues in the pensions industry. The trustees will investigate the possible implications with its advisers in due course, but it is not possible at present to estimate the potential impact, if any, on the scheme.

24. Share-based Awards

The Save As You Earn (“SAYE”), Long Term Incentive Plan (“LTIP”) and Deferred Share Awards (“DSA”) share-based awards have been granted under the group’s share schemes. The general terms and conditions for these share-based awards are described on pages 156 to 158 in the Directors’ Remuneration Report.

In order to satisfy a number of the awards below the company has purchased company shares into Treasury and the Close Brothers Group Employee Share Trust has purchased company shares. At 31 July 2024, 1.6 million (31 July 2023: 1.6 million) and 1.7 million (31 July 2023: 1.5 million) of these shares were held respectively and in total £38.9 million (2023: £40.0 million) was recognised within the share-based payments reserve. During the year £4.6 million (2023: £5.6 million) of these shares were released to satisfy share-based awards to employees. The share-based payments reserve as shown in the consolidated statement of changes in equity also includes the cumulative position in relation to unvested share-based awards charged to the consolidated income statement of £5.1 million (2023: £8.0 million). The share-based awards charge of £4.6 million (2023: £2.0 million) is included in administrative expenses shown in the consolidated income statement.

Movements in the number of share-based awards outstanding and their weighted average share prices are as follows:

	SAYE		LTIP		DSA	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 August 2022	2,270,371	—	1,357,858	—	475,003	—
Granted	1,736,479	725.6p	397,568	—	262,402	—
Exercised	(103,625)	875.0p	(87,172)	—	(243,451)	—
Forfeited	(967,425)	863.9p	(137,965)	—	—	—
Lapsed	(131,073)	1,118.9p	(177,449)	—	(2,006)	—
At 31 July 2023	2,804,727	—	1,352,840	—	491,948	—
Granted	3,597,558	371.0p	655,791	—	282,309	—
Exercised	(28,728)	813.9p	(122,788)	—	(239,280)	—
Forfeited	(1,658,190)	754.9p	(97,255)	—	(1,836)	—
Lapsed	(803,600)	828.7p	(466,854)	—	(939)	—
At 31 July 2024	3,911,767	—	1,321,734	—	532,202	—
Exercisable at:						
31 July 2024	17,017	1,213.3p	61,733	—	205,654	—
31 July 2023	280,152	893.8p	184,521	—	40,656	—

The table below shows the weighted average market price at the date of exercise:

	2024	2023
SAYE	798.3p	950.9p
LTIP	807.3p	1,022.5p
DSA	660.8p	994.5p

24. Share-based Awards (continued)

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	2024		2023	
	Options outstanding	Weighted average remaining contractual life	Options outstanding	Weighted average remaining contractual life
	Number outstanding	Years	Number outstanding	Years
SAYE				
Between £3 and £4	3,557,353	3.4	—	—
Between £7 and £8	265,843	2.4	2,269,108	2.8
Between £8 and £9	10,130	1.3	328,704	0.7
Between £9 and £10	34,705	1.6	101,476	2.7
Between £10 and £11	3,651	0.8	15,928	1.5
Between £11 and £12	2,091	0.3	8,284	0.8
Between £12 and £13	24,785	1.3	51,346	2.2
Between £13 and £14	13,209	0.5	29,881	1.8
LTIP				
Nil	1,305,484	3.6	1,352,840	3.3
DSA				
Nil	548,452	1.7	491,948	1.7
Total	5,765,703	3.2	4,649,515	2.7

For the share-based awards granted during the year, the weighted average fair value of those options at 31 July 2024 was 251.0p (31 July 2023: 395.7p). The main assumptions for the valuation of these share-based awards comprised:

At 31 July 2024	Share price	Exercise	Expected	Expected	Dividend	Risk free
Exercise period	at issue	price	volatility	option life in years	yield	interest rate
SAYE						
1 December 2025 to 31 May 2026	918.8p	735.0p	36.0%	3	7.2%	3.6%
1 December 2027 to 31 May 2028	918.8p	735.0p	31.0%	5	7.2%	4.0%
1 June 2026 to 30 November 2026	896.3p	717.0p	33.0%	3	7.4%	3.7%
1 June 2028 to 30 November 2028	896.3p	717.0p	32.0%	5	7.4%	3.6%
1 June 2027 to 30 December 2027	463.8p	371.0p	41.0%	3	7.3%	4.3%
LTIP						
11 October 2025 to 10 October 2026	1110.0p	—	36.0%	3	7.2%	3.6%
11 October 2026 to 10 October 2027	923.0p	—	33.0%	4	7.2%	3.6%
4 October 2026 to 3 October 2027	871.9p	—	31.0%	3	7.9%	4.7%
4 October 2026 to 3 October 2027	871.9p	—	31.0%	3	7.9%	4.7%
1 May 2027 to 30 April 2028	380.2p	—	41.0%	3	7.5%	4.1%
DSA						
10 October 2024 to 9 October 2025	923.1p	—	—	—	—	—
28 September 2023 to 26 September 2024	965.0p	—	—	—	—	—
21 September 2023 to 19 September 2024	965.0p	—	—	—	—	—
28 September 2024 to 27 September 2025	965.0p	—	—	—	—	—
29 September 2025 to 27 September 2026	965.0p	—	—	—	—	—
4 October 2025 to 3 October 2026	871.9p	—	—	—	—	—
8 March 2024 to 7 March 2025	808.0p	—	—	—	—	—
4 June 2024 to 3 June 2025	808.0p	—	—	—	—	—
7 March 2025 to 6 March 2026	808.0p	—	—	—	—	—
1 June 2025 to 31 May 2026	808.0p	—	—	—	—	—
10 March 2026 to 09 Mar 2027	808.0p	—	—	—	—	—

At 31 July 2023 Exercise period	Share price at issue	Exercise price	Expected volatility	Expected option life in years	Dividend yield	Risk free interest rate
SAYE						
1 December 2025 to 31 May 2026	918.8p	735.0p	36.0%	3	7.2%	3.6%
1 December 2027 to 31 May 2028	918.8p	735.0p	31.0%	5	7.2%	4.0%
1 June 2026 to 30 November 2026	896.3p	717.0p	33.0%	3	7.0%	3.7%
1 June 2028 to 30 November 2028	896.3p	717.0p	32.0%	5	7.0%	3.6%
LTIP						
11 October 2025 to 10 October 2026	1,110.0p	—	36.0%	3	7.2%	3.6%
11 October 2026 to 10 October 2027	923.0p	—	33.0%	4	7.2%	3.6%
DSA						
10 October 2024 to 9 October 2025	923.1p	—	—	—	—	—
28 September 2023 to 26 September 2024	965.0p	—	—	—	—	—
21 September 2023 to 19 September 2024	965.0p	—	—	—	—	—
28 September 2024 to 27 September 2025	965.0p	—	—	—	—	—
29 September 2025 to 27 September 2026	965.0p	—	—	—	—	—

Expected volatility was determined mainly by reviewing share price volatility for the expected life of each option up to the date of grant.

25. Consolidated Cash Flow Statement Reconciliation

	2024 £ million	2023 £ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities		
Operating profit before tax	142.0	112.0
Tax paid	(29.6)	(7.4)
Depreciation, amortisation and impairment	111.7	108.2
Impairment losses on financial assets	98.8	204.1
Amortisation of de-designated cash flow hedges	(27.9)	—
Decrease/(increase) in:		
Interest receivable and prepaid expenses	5.5	(6.8)
Net settlement balances and trading positions	(0.3)	(11.4)
Net money broker loans against stock advanced	27.0	15.6
(Decrease)/increase in interest payable and accrued expenses	(12.7)	(16.5)
Net cash inflow from trading activities	314.5	397.8
Cash (outflow)/inflow arising from changes in:		
Loans and advances to banks not repayable on demand	24.0	(21.1)
Loans and advances to customers	(699.4)	(584.3)
Assets let under operating leases	(41.1)	(73.2)
Certificates of deposit	—	185.0
Sovereign and central bank debt	(194.2)	191.2
SSA bonds	(140.2)	—
Covered bonds	(80.7)	(105.4)
Deposits by banks	(1.3)	(22.1)
Deposits by customers	975.1	942.5
Loans and overdrafts from banks	(492.2)	29.2
Debt securities in issue (net)	(67.6)	14.4
Derivative financial instruments (net)	—	70.4
Other assets less other liabilities ¹	21.1	(3.0)
Net cash (outflow)/inflow from operating activities	(382.0)	1,021.4
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries		
Purchase of subsidiaries, net of cash acquired	(15.4)	(0.5)
(c) Analysis of net cash inflow in respect of the sale of subsidiaries		
Cash consideration received	0.9	—
(d) Analysis of cash and cash equivalents²		
Cash and balances at central banks	1,584.2	1,918.4
Loans and advances to banks	260.3	290.9
At 31 July	1,844.5	2,209.3

1. Includes a £17.2 million (2023: £nil) provision in relation to the BiFD review, a non-cash item recognised within administrative expenses.

2. Excludes £33.2 million (2023: £58.0 million) of cash reserve accounts and cash held in trust.

During the year ended 31 July 2024, the non-cash changes on debt financing amounted to £35.9 million (31 July 2023: £0.9 million) arising largely from interest accretion and fair value hedging movements.

26. Financial Risk Management

The group faces a number of risks in the normal course of its business. To manage these effectively, a consistent approach is adopted based on a set of overarching principles, namely:

- adhering to our established and proven business model;
- implementing an integrated risk management approach based on the concept of three lines of defence; and
- setting and operating within clearly defined risk appetites, monitored with defined metrics and limits.

The group's Enterprise Risk Management Framework details the core risk management components and structures, and defines a consistent and measurable approach to identifying, assessing, controlling and mitigating, reviewing and monitoring, and reporting risk.

The board retains overall responsibility for overseeing the maintenance of a system of internal control, which ensures that an effective risk management framework and oversight process operate across the group, while risk management across the group is overseen by the Risk Committee.

The Risk Report provides more information on the group's approach to risk management. As a financial services group, financial instruments are central to the group's activities. The risk associated with financial instruments represents a significant component of those faced by the group and is analysed in more detail below.

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

(a) Classification

The following tables analyse the group's assets and liabilities in accordance with the categories of financial instruments in IFRS 9. Derivatives designated as hedging instruments are classified as fair value through profit or loss.

	Derivatives designated as hedging instruments £ million	Fair value through profit or loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
At 31 July 2024					
Assets					
Cash and balances at central banks	—	—	—	1,584.0	1,584.0
Settlement balances	—	—	—	627.5	627.5
Loans and advances to banks	—	—	—	293.7	293.7
Loans and advances to customers	—	11.8	—	9,819.0	9,830.8
Debt securities	—	16.8	716.9	6.8	740.5
Equity shares	—	27.4	—	—	27.4
Loans to money brokers against stock advanced	—	—	—	22.5	22.5
Derivative financial instruments	83.6	17.8	—	—	101.4
Other financial assets	—	1.2	—	102.4	103.6
	83.6	75.0	716.9	12,455.9	13,331.4
Liabilities					
Settlement balances and short positions	—	14.8	—	600.1	614.9
Deposits by banks	—	—	—	138.4	138.4
Deposits by customers	—	—	—	8,693.6	8,693.6
Loans and overdrafts from banks	—	—	—	165.6	165.6
Debt securities in issue	—	—	—	1,986.4	1,986.4
Loans from money brokers against stock advanced	—	—	—	16.7	16.7
Subordinated loan capital	—	—	—	187.2	187.2
Derivative financial instruments	116.9	12.1	—	—	129.0
Other financial liabilities	—	—	—	189.9	189.9
	116.9	26.9	—	11,977.9	12,121.7

26. Financial Risk Management (continued)

	Derivatives designated as hedging instruments £ million	Fair value through profit or loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
At 31 July 2023					
Assets					
Cash and balances at central banks	—	—	—	1,937.0	1,937.0
Settlement balances	—	—	—	707.0	707.0
Loans and advances to banks	—	—	—	330.3	330.3
Loans and advances to customers	—	—	—	9,255.0	9,255.0
Debt securities	—	15.2	292.4	—	307.6
Equity shares	—	29.3	—	—	29.3
Loans to money brokers against stock advanced	—	—	—	37.6	37.6
Derivative financial instruments	50.7	37.8	—	—	88.5
Other financial assets	—	2.0	—	93.5	95.5
	50.7	84.3	292.4	12,360.4	12,787.8
Liabilities					
Settlement balances and short positions	—	9.9	—	686.0	695.9
Deposits by banks	—	—	—	141.9	141.9
Deposits by customers	—	—	—	7,724.5	7,724.5
Loans and overdrafts from banks	—	—	—	651.9	651.9
Debt securities in issue	—	—	—	2,012.6	2,012.6
Loans from money brokers against stock advanced	—	—	—	4.8	4.8
Subordinated loan capital	—	—	—	174.9	174.9
Derivative financial instruments	176.2	19.7	—	—	195.9
Other financial liabilities	—	—	—	199.2	199.2
	176.2	29.6	—	11,595.8	11,801.6

(b) Valuation

The fair values of the group's subordinated loan capital and debt securities in issue are set out below.

	31 July 2024		31 July 2023	
	Fair value	Carrying value	Fair value	Carrying value
	£ million	£ million	£ million	£ million
Subordinated loan capital	179.4	187.2	165.8	174.9
Debt securities in issue	1,998.5	1,986.4	2,008.0	2,012.6

The fair value of gross loans and advances to customers at 31 July 2024 is estimated to be £9,806.4 million (31 July 2023: £9,046.2 million), with a carrying value of £9,830.8 million (31 July 2023: £9,255.0 million). The fair value of deposits by customers is estimated to be £8,691.8 million (31 July 2023: £7,668.7 million), with a carrying value of £8,693.6 million (31 July 2023: £7,724.5 million). These estimates are based on highly simplified assumptions and inputs and may differ to actual amounts received or paid. The differences between fair value and carrying value are not considered to be significant, and are consistent with management's expectations given the nature of the Banking business and the short average tenor of the instruments. However, the differences have decreased in comparison to the prior year in line with market interest rates.

Valuation hierarchy

The group holds financial instruments that are measured at fair value subsequent to initial recognition. Each instrument has been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities where prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient frequency to provide ongoing pricing information;
- Level 2 fair value measurements are those derived from quoted prices in less active markets for identical assets or liabilities or those derived from inputs other than quoted prices that are observable for the asset or liability, either directly as prices or indirectly derived from prices; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data ("unobservable inputs").

Instruments classified as Level 1 predominantly comprise sovereign and central bank debt, SSA bonds, covered bonds and liquid listed debt securities. The fair value of these instruments is derived from quoted prices in active markets.

Instruments classified as Level 2 predominantly comprise less liquid listed equity shares, investment grade corporate bonds and over-the-counter derivatives. The fair value of equity shares and bonds are derived from quoted prices in less active markets in comparison to Level 1. Over-the-counter derivatives largely relate to interest rate and exchange rate contracts (see Note 13 for further information). The valuation of such derivatives includes the use of discounted future cash flow models, with the most significant input into these models being interest rate yield curves developed from quoted rates.

Instruments classified as Level 3 predominantly comprise loans and advances to customers, which is new this year, over-the-counter derivatives and contingent consideration payable and receivable in relation to the acquisition and disposal of subsidiaries.

The valuation of Level 3 derivatives is similar to Level 2 derivatives and includes the use of discounted future cash flow models, with the most significant input into these models being interest rate yield curves developed from quoted rates.

The valuation of Level 3 loans and advances to customers is determined on a discounted expected cash flow basis net of expected credit losses. The discount rate used in the valuation is the interest rate charged on the loan, which reflects an arm's length rate chargeable on similar transactions.

The valuation of Level 3 contingent consideration is determined on a discounted expected cash flow basis.

The group believes that there is no reasonably possible change to the inputs used in the valuation of these positions which would have a material effect on the group's consolidated income statement.

During the year, there were no transfers from Level 1, 2 to 3. In 2023, £1.6 million of derivative financial assets and £1.8 million of derivative financial liabilities were transferred from Level 2 to 3.

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy.

26. Financial Risk Management (continued)

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
At 31 July 2024				
Assets				
Loans and advances to customers held at FVTPL	—	—	11.8	11.8
Debt securities:				
Sovereign and central bank debt	383.7	—	—	383.7
SSA bonds	145.5	—	—	145.5
Covered bonds	187.7	—	—	187.7
Long trading positions in debt securities	13.8	2.2	—	16.0
Equity shares	5.9	21.4	0.1	27.4
Derivative financial instruments	—	95.3	6.1	101.4
Contingent consideration	—	—	1.2	1.2
Other assets	—	—	0.8	0.8
	736.6	118.9	20.0	875.5
Liabilities				
Short positions:				
Debt securities	3.3	2.2	—	5.5
Equity shares	2.2	7.1	—	9.3
Derivative financial instruments	—	122.6	6.4	129.0
Contingent consideration	—	—	3.0	3.0
	5.5	131.9	9.4	146.8

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
At 31 July 2023				
Assets				
Loans and advances to customers held at FVTPL	—	—	—	—
Debt securities:				
Sovereign and central bank debt	186.1	—	—	186.1
SSA bonds	—	—	—	—
Covered bonds	106.3	—	—	106.3
Long trading positions in debt securities	13.6	1.6	—	15.2
Equity shares	3.9	25.1	0.3	29.3
Derivative financial instruments	—	77.4	11.1	88.5
Contingent consideration	—	—	2.0	2.0
Other assets	—	—	—	—
	309.9	104.1	13.4	427.4
Liabilities				
Short positions:				
Debt securities	2.3	1.2	—	3.5
Equity shares	1.7	4.6	0.1	6.4
Derivative financial instruments	—	184.7	11.2	195.9
Contingent consideration	—	—	2.8	2.8
	4.0	190.5	14.1	208.6

Movements in financial instruments categorised as Level 3 were:

	Loans and advances to customers held at FVTPL £ million	Derivative financial assets £ million	Derivative financial liabilities £ million	Equity shares £ million	Contingent consideration £ million	Other assets £ million	Total £ million
At 1 August 2022	—	—	—	0.2	(1.3)	—	(1.1)
Total gains/(losses) recognised in the consolidated income statement	—	9.5	(9.4)	—	(0.1)	—	—
Purchases, issues, originations and transfers in	—	1.6	(1.8)	—	0.6	—	0.4
Sales, settlements and transfers out	—	—	—	—	—	—	—
At 31 July 2023	—	11.1	(11.2)	0.2	(0.8)	—	(0.7)
Total gains/(losses) recognised in the consolidated income statement	—	(5.0)	4.8	—	0.4	—	0.2
Purchases, issues, originations and transfers in	11.8	—	—	—	(0.5)	0.8	12.1
Sales, settlements and transfers out	—	—	—	(0.1)	(0.9)	—	(1.0)
At 31 July 2024	11.8	6.1	(6.4)	0.1	(1.8)	0.8	10.6

The gains recognised in the consolidated income statement relating to Level 3 instruments held at 31 July 2024 amounted to £0.2 million (2023: £nil).

(c) Credit risk

Credit risk is the risk of a reduction in earnings and/or value, as a result of the failure of a counterparty or associated party, with whom the group has contracted, to meet its obligations as they fall due. Credit risk across the group mainly arises through the lending and treasury activities of the Banking division.

Maximum exposure to credit risk

The table below presents the group's maximum exposure to credit risk, before taking account of any collateral and credit risk mitigation, arising from its on balance sheet and off balance sheet financial instruments. For off balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	31 July 2024 £ million	31 July 2023 £ million
On balance sheet		
Cash and balances at central banks	1,584.0	1,937.0
Settlement balances	627.5	707.0
Loans and advances to banks	293.7	330.3
Loans and advances to customers	9,830.8	9,255.0
Debt securities	740.5	307.6
Loans to money brokers against stock advanced	22.5	37.6
Derivative financial instruments	101.4	88.5
Other financial assets	103.6	95.5
	13,304.0	12,758.5
Off balance sheet		
Irrevocable undrawn commitments	281.8	263.9
Total maximum exposure to credit risk	13,585.8	13,022.4

Assets pledged and received as collateral

The group pledges assets for repurchase agreements and securities borrowing agreements which are generally conducted under terms that are customary to standard borrowing contracts.

The group is a participant of the Bank of England's Term Funding Scheme with Additional Incentives for SMEs ("TFSME") and the Indexed Long-Term Repo ("ILTR").

Under these schemes, asset finance loan receivables of £404.8 million (31 July 2023: £863.4 million) and retained notes relating to Motor Finance loan receivables of £34.4 million (31 July 2023: £83.4 million) were positioned as collateral with the Bank of England, against which £110.0 million (31 July 2023: £600.0 million) of cash was drawn from the TFSME and £nil (31 July 2023: £5.0 million) from the ILTR.

26. Financial Risk Management (continued)

The term of the TFSME transactions is four years from the date of each drawdown but the group may choose to repay earlier at its discretion. The term of the ILTR transaction is six months and cannot be repaid earlier. The risks and rewards of the loan receivables remain with the group and continue to be recognised in loans and advances to customers on the consolidated balance sheet.

The group has securitised without recourse and restrictions £1,657.0 million (31 July 2023: £1,436.3 million) of its insurance premium and motor loan receivables in return for cash and asset-backed securities in issue of £1,453.7 million (31 July 2023: £1,187.4 million). This includes the £34.4 million (31 July 2023: £83.4 million) retained notes positioned as collateral with the Bank of England. As the group has retained exposure to substantially all the credit risk and rewards of the residual benefit of the underlying assets it continues to recognise these assets in loans and advances to customers on its consolidated balance sheet.

The majority of loans and advances to customers are secured against specific assets. Consistent and prudent lending criteria are applied across the whole loan book with emphasis on the quality of the security provided.

As at 31 July 2024, Winterflood had pledged equity and debt securities of £18.3 million (31 July 2023: £5.2 million) in the normal course of business.

Financial assets: Loans and advances to customers

The group's approach to managing credit risk relating to loans and advances to customers is set out on pages 90 to 92 in the Risk Report.

Information on the group's internal credit risk reporting can be found on pages 100 to 101 in the Risk Report, including an analysis of gross loans and advances to customers, trade receivables and undrawn facilities by the group's internal credit risk grading.

Information on the collateral held in relation to loans and advances to customers can be found on pages 102 to 103 in the Risk Report, including analyses of gross loans and advances to customers by LTV ratio.

Financial assets: Treasury assets

The credit risk presented by the group's treasury assets is low. Immaterial impairment provisions are recognised for cash and balances at central banks, sovereign and central bank debt, SSA bonds and covered bonds. These financial assets are investment grade and in Stage 1.

Financial assets: Settlement balances and loans to money brokers against stock advanced

The credit risk presented by settlement balances in the Securities division is limited, as such balances represent delivery versus payment transactions where delivery of securities occurs simultaneously with payment. The credit risk is therefore limited to the change in market price of a security between trade date and settlement date and not the absolute value of the trade. Winterflood is a market maker and trades on a principal-only basis with regulated counterparties including stockbrokers, wealth managers, institutions and hedge funds who are either authorised and regulated by the PRA and/or FCA or equivalent regulator in the respective country.

Counterparty exposure and settlement failure monitoring controls are in place as part of an overall risk management framework and settlement balances past due are actively managed.

Loans to money brokers against stock advanced of £22.5 million (31 July 2023: £37.6 million) is the cash collateral provided to these institutions, for stock borrowing by Winterflood. The stock borrowing to which the cash deposits relate is short term in nature and is recorded at the amount payable. The credit risk of this financial asset is therefore limited.

The following table shows the ageing of settlement balances:

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Impairment provision £ million	Total £ million
At 31 July 2024					
Not past due	599.9	—	—	—	599.9
Less than 30 days past due	24.6	—	—	—	24.6
More than 30 days but less than 90 days past due	—	2.5	—	—	2.5
More than 90 days past due	—	—	0.5	—	0.5
	624.5	2.5	0.5	—	627.5

	Stage 1	Stage 2	Stage 3	Impairment provision	Total
	£ million	£ million	£ million	£ million	£ million
At 31 July 2023					
Not past due	622.1	—	—	—	622.1
Less than 30 days past due	83.9	—	—	—	83.9
More than 30 days but less than 90 days past due	—	0.6	—	—	0.6
More than 90 days past due	—	—	0.5	(0.1)	0.4
	706.0	0.6	0.5	(0.1)	707.0

Company financial assets: Amounts owed by subsidiaries

Amounts owed by subsidiaries on the company balance sheet largely relate to Close Brothers Limited and Close Brothers Holdings Limited, and the credit risk presented by these financial assets is immaterial.

(d) Market risk

Interest rate risk

Additional disclosures on the group's interest rate risk can be found on pages 107 to 108 in the Risk Report.

Foreign exchange risk

Additional disclosures on the group's foreign exchange risk can be found on pages 108 to 109 in the Risk Report.

Market price risk

Trading financial instruments: Equity shares and debt securities

The group's trading activities relate to Winterflood. Additional disclosures on Winterflood's market price risk can be found on pages 115 to 116 of the Risk Report.

Non-trading financial instruments

Net gains and losses on non-trading financial instruments are disclosed in Notes 11.

26. Financial Risk Management (continued)

(e) Liquidity risk

Liquidity risk is the risk that liabilities cannot be met when they fall due or can only be met at an uneconomic price and arises mainly in the Banking division. The following table analyses the contractual maturities of the group's on balance sheet financial liabilities on an undiscounted cash flow basis. Additional disclosures on the group's liquidity risk can be found on pages 104 to 105 of the Risk Report.

	On demand £ million	In less than three months £ million	In more than three months but not more than six months £ million	In more than six months but not more than one year £ million	In more than one year but not more than five years £ million	In more than five years £ million	Total £ million
At 31 July 2024							
Settlement balances	—	600.1	—	—	—	—	600.1
Deposits by banks	0.9	53.2	86.1	—	—	—	140.2
Deposits by customers	708.9	2,309.5	1,502.1	2,008.7	2,474.8	—	9,004.0
Loans and overdrafts from banks	46.7	9.9	1.4	2.7	111.7	—	172.4
Debt securities in issue	—	40.0	119.3	195.4	1,541.7	409.8	2,306.2
Loans from money brokers against stock advanced	16.7	—	—	—	—	—	16.7
Subordinated loan capital	—	2.0	—	2.0	16.0	209.0	229.0
Derivative financial instruments	0.3	47.3	37.0	50.6	183.0	86.8	405.0
Lease liabilities	0.2	3.2	2.7	3.9	29.6	18.1	57.7
Other financial liabilities	22.6	101.0	1.3	10.9	27.1	2.5	165.4
Total	796.3	3,166.2	1,749.9	2,274.2	4,383.9	726.2	13,096.7

	On demand £ million	In less than three months £ million	In more than three months but not more than six months £ million	In more than six months but not more than one year £ million	In more than one year but not more than five years £ million	In more than five years £ million	Total £ million
At 31 July 2023							
Settlement balances	—	686.0	—	—	—	—	686.0
Deposits by banks	10.3	43.7	89.7	—	—	—	143.7
Deposits by customers	175.1	1,838.3	1,972.9	1,869.6	2,140.6	—	7,996.5
Loans and overdrafts from banks	31.8	25.2	7.6	243.8	383.2	—	691.6
Debt securities in issue	—	46.7	132.3	168.1	1,705.1	416.3	2,468.5
Loans from money brokers against stock advanced	4.8	—	—	—	—	—	4.8
Subordinated loan capital	—	2.0	—	2.0	16.0	213.0	233.0
Derivative financial instruments	0.2	21.7	23.5	39.0	167.6	73.0	325.0
Lease liabilities	0.2	4.8	4.1	6.9	26.7	19.6	62.3
Other financial liabilities	20.3	111.6	0.9	10.6	28.0	8.7	180.1
Total	242.7	2,780.0	2,231.0	2,340.0	4,467.2	730.6	12,791.5

Derivative financial instruments in the table above includes net currency swaps. The following table shows the currency swaps on a gross basis:

	On demand £ million	In less than three months £ million	In more than three months but not more than six months £ million	In more than six months but not more than one year £ million	In more than one year but not more than five years £ million	In more than five years £ million	Total £ million
At 31 July 2024	0.9	259.9	37.0	49.8	178.6	86.8	613.0
At 31 July 2023	41.2	153.9	26.0	39.4	167.5	73.0	501.0

(f) Offsetting

The following table shows the impact on derivative financial assets and liabilities which have not been offset but for which the group has enforceable master netting arrangements in place with counterparties. The net amounts show the exposure to counterparty credit risk after offsetting benefits and collateral, and are not intended to represent the group's actual exposure to credit risk.

Master netting arrangements allow outstanding transactions with the same counterparty to be offset and settled net, either unconditionally or following a default or other predetermined event. Financial collateral on derivative financial instruments consists of cash settled, typically daily, to mitigate the mark to market exposures.

	Gross amounts recognised £ million	Master netting arrangements £ million	Financial collateral £ million	Net amounts after offsetting £ million
At 31 July 2024				
Derivative financial assets	101.4	(97.9)	(0.8)	2.7
Derivative financial liabilities	129.0	(97.9)	(67.5)	(36.4)
At 31 July 2023				
Derivative financial assets	88.5	(77.1)	—	11.4
Derivative financial liabilities	195.9	(77.1)	(144.0)	(25.2)

27. Interest in Unconsolidated Structured Entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The group has interests in structured entities as a result of contractual arrangements arising from the management of assets on behalf of its clients as part of its Asset Management division. These structured entities consist of unitised vehicles such as Authorised Unit Trusts ("AUTs") and Open Ended Investment Companies ("OEICs") which entitle investors to a percentage of the vehicle's net asset value. The structured entities are financed by the purchase of units or shares by investors. The group does not hold direct investments in its structured entities.

As fund manager, the group does not guarantee returns on its funds or commit to financially support its funds. The business activity of all structured entities is the management of assets in order to maximise investment returns for investors from capital appreciation and/or investment income. The group earns a management fee from its structured entities, based on a percentage of the entity's net asset value.

The main risk the group faces from its interest in assets under management on behalf of external investors is the loss of fee income as a result of the withdrawal of funds by clients. Outflows from funds are dependent on market sentiment, asset performance and investor considerations. The assets under management of unconsolidated structured entities managed by the group were £5,434.0 million at 31 July 2024 (31 July 2023: £5,111.0 million). Included in revenue on the consolidated income statement is management fee income of £33.5 million (2023: £33.7 million) from unconsolidated structured entities managed by the group.

28. Investments in Subsidiaries

In accordance with section 409 of the Companies Act 2006, the following is a list of the group's subsidiaries at 31 July 2024, which are all wholly owned and incorporated in the UK unless otherwise stated.

The investment in subsidiary of £487.0 million (31 July 2023: £287.0 million) in the company balance sheet relates to a 100% shareholding in Close Brothers Holdings Limited of £287.0 million (31 July 2023: £287.0 million) and an investment in the AT1 securities of Close Brothers Limited of £200.0 million (31 July 2023: £nil). The company issued AT1 securities of £200.0 million on 29 November 2023 as described in Note 20 and simultaneously entered into a back-to-back transaction with its subsidiary Close Brothers Limited.

There was no impairment of these investments in this and the prior year albeit there were indicators of impairment following the FCA's industry review of motor commissions and the group's recent share price movements. The impairment assessment of the investment in Close Brothers Holdings Limited, based on a discounted cash flow analysis of expected future dividends, which includes consideration for the potential impact of the FCA's motor commissions review, demonstrated that its value in use remains above its carrying value.

As set out in Note 29 "Post Balance Sheet Event", the group announced it entered into an agreement to sell CBAM to Oaktree on 19 September 2024 following a comprehensive strategic review. This post balance sheet transaction has no impact on the conclusion of the impairment assessment relating to the company's investment in Close Brothers Holdings Limited, the immediate parent of CBAM. The recoverable amount of the company's investment in Close Brothers Holdings Limited remained above its carrying value at 31 July 2024.

28. Investments in Subsidiaries (continued)

Group

Close Brothers Holdings Limited¹

Banking

Air and General Finance Limited²

Arrow Audit Services Limited¹

Brook Funding (No.1) Limited^{18, 21}

Close Asset Finance Limited²

Close Brewery Rentals Limited⁵

Close Brothers Asset Finance GmbH¹³ (Germany)

Close Brothers DAC¹⁶ (Ireland)

Close Brothers Factoring GmbH¹³ (Germany)

Close Brothers Finance Designated Activity Company¹⁹ (Ireland)

Close Brothers Finance plc¹

Close Brothers Limited¹

Close Brothers Motor Finance Payments Limited¹⁹ (Ireland)

Close Brothers Premium DAC¹⁶ (Ireland)

Close Brothers Retention Holdings Designated Activity Company¹⁹ (Ireland)

Close Brothers Technology Services Limited¹

Close Brothers Vehicle Hire Limited¹²

Close Business Finance Limited²

Close Credit Management (Holdings) Limited¹

Close Finance (CI) Limited¹⁴ (Jersey)

Close Invoice Finance Limited¹

Close Leasing Limited¹¹

Close PF Funding I Limited^{9, 21}

Commercial Acceptances Limited⁶

Commercial Finance Credit Limited²

Corporate Asset Solutions Limited⁴

Finance for Industry Limited¹

Finance for Industry Services Limited¹

Kingston Asset Finance Limited²

Kingston Asset Leasing Limited²

Novitas Loans Limited²

Novitas (Salisbury) Limited²

Orbita Funding 2020-1 plc^{18, 21}

Orbita Funding 2022-1 plc^{9, 21}

Orbita Funding 2023-1 plc^{9, 21}

Orbita Funding 2024-1 plc^{9, 21}

Orbita Holdings Limited^{10, 21}

Orbita Holdings no.2 Limited^{9, 21}

Surrey Asset Finance Limited²

Topaz Asset Finance 2019-1 DAC^{20, 21}

Topaz Asset Finance 2020-1 DAC^{20, 21}

Securities

W.S. (Nominees) Limited³

Winterflood Client Nominees Limited³

Winterflood Gilts Limited³

Winterflood Securities Holdings Limited³

Winterflood Securities Limited³

Winterflood Securities US Corporation¹⁵ (Delaware, USA)

Asset Management

Bottrill Adams LLP¹

Cavanagh Financial Management Limited⁷

CBF Wealth Management Limited¹

CFSL Management Limited¹

Close Asset Management Holdings Limited¹

Close Asset Management Limited¹

Close Asset Management (UK) Limited¹

Close Brothers Asset Management (Guernsey) Limited¹⁷ (Guernsey)

Close Investments Limited¹

Close Portfolio Management Limited¹

EOS Wealth Management Limited¹

Lion Nominees Limited¹

Place Campbell Close Brothers Limited⁸ (joint venture with 50% shareholding)

PMN Financial Management LLP¹

Registered office addresses:

1. 10 Crown Place, London EC2A 4FT, United Kingdom.
2. Wimbledon Bridge House, Hartfield Road, Wimbledon, London SW19 3RU, United Kingdom.
3. The Atrium Building Cannon Bridge, 25 Dowgate Hill, London EC4R 2GA, United Kingdom.
4. 30 Finsbury Square, London EC2A 1AG, United Kingdom.
5. Unit 1, Kingfisher Park, Headlands Business Park, Ringwood, Hampshire BH24 3NX, United Kingdom.
6. 101 Wigmore Street, London W1U 1QU, United Kingdom.
7. 60 Melville Street, Edinburgh EH3 7HF, United Kingdom.
8. Wilmington House, High Street, East Grinstead, West Sussex RH19 3AU, United Kingdom.
9. 10th Floor, 5 Churchill Place, London E14 5HU, United Kingdom.
10. 1 Bartholomew Lane, London EC2N 2AX, United Kingdom.
11. Olympic Court Third Avenue, Trafford Park Village, Manchester M17 1AP, United Kingdom.
12. Lows Lane, Stanton-By-Dale, Ilkeston, Derbyshire DE7 4QU, United Kingdom.
13. Grosse Bleiche 35-39, 55116, Mainz, Germany.
14. Conway House, Conway Street, St Helier JE4 5SR, Jersey.
15. 1209 Orange Street, Wilmington 19801, New Castle, Delaware, USA.
16. Swift Square, Building 1, Santry Demesne, Northwood, Dublin, D09 AOE4, Ireland.
17. PO Box 186, Royal Chambers, St Julian's Avenue, St Peter Port GY1 4HP, Guernsey.
18. 40a Station Road, Upminster, Essex RM14 2TR, United Kingdom.
19. Unit 18, Northwood House, Northwood Business Campus, Dublin 9 D09 AOE4, Ireland
20. 1-2 Victoria Buildings, Haddington Road, Dublin D04 XN32 Ireland

Subsidiaries by virtue of control:

21. The related undertakings are included in the consolidated financial statements as they are controlled by the group.

29. Post Balance Sheet Event

Following a comprehensive strategic review, on 19 September 2024, the group announced that it entered into an agreement to sell CBAM to Oaktree for an equity value of up to £200 million. CBAM is a well-regarded UK wealth management franchise and the transaction will strengthen the group's capital base and enhance its position to navigate the current uncertain environment.

Under the terms of the transaction, the equity value of up to £200 million includes £172 million of cash to be paid at or before completion of the transaction, comprising an upfront cash consideration of £146 million payable by Oaktree to the group on completion, a dividend of approximately £26 million payable by CBAM to the group on or before completion, subject to applicable regulatory capital requirements, and £28 million of contingent deferred consideration in the form of preference shares. The group intends to retain cash received by completion, expected to amount to approximately £172 million, gross of transaction costs.

As at 31 July 2024, CBAM had balance sheet assets of £192.0 million and liabilities of £70.2 million, comprised largely of working capital and intangible assets, with a net asset value of £121.8 million. The net asset value includes goodwill of £43.5 million and £12.2 million of intangible assets, resulting in a tangible net asset value of £66.1 million. CBAM is one of the group's five operating segments with total operating income of £157.8 million and profit after tax of £7.4 million in the 2024 financial year. Further detail on CBAM can be found within Note 3 "Segmental Analysis", including CBAM's income statement for the financial years ended 31 July 2024 and 31 July 2023.

The upfront proceeds are expected to increase the group's common equity tier 1 ("CET1") capital ratio by approximately 100 basis points on a pro forma basis. This calculation assumes a reduction in credit RWAs, no immediate reduction in operational RWAs and does not include any benefit from contingent deferred consideration. This estimate is subject to change before completion and is based on upfront proceeds from the transaction of c.£172 million, CBAM's net asset value of £121.8 million and excludes the deferred consideration. Therefore, the fair value of the business remains above its carrying value.

During the 2025 financial year, and in line with IFRS 9 "Financial Instruments" and IFRS 13 "Fair Value Measurement", a full accounting assessment of the contingent deferred consideration will be undertaken. The contingent deferred consideration will be in the form of preference shares, redeemable no later than Oaktree's exit, for an amount of up to £28 million plus interest at a rate of 8 per cent. per annum, stepping up after five years to 12 per cent. The deferred consideration is subject to potential deductions, including in relation to retention of key individuals and certain potential regulatory costs and separation cost overruns.

This is a non-adjusting event under the requirements of IAS 10 "Events After the Reporting Period" and as at 31 July 2024 the business did not meet the 'held for sale' criteria under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". A sale was not assessed to be highly probable given the transaction status at that date, and therefore the held for sale criteria was not met.

The transaction is expected to complete in early 2025 calendar year. Details of the transaction can be found on the separate announcement published on 19 September 2024, available on the Investor Relations website.