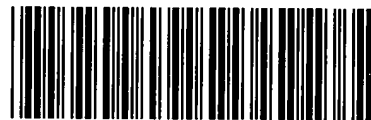


Close Brothers Finance plc
Annual Report and Financial statements
For the year ended 31 July 2016

REGISTERED NUMBER 4322721

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CLOSE BROTHERS FINANCE plc

DIRECTORS AND PROFESSIONAL ADVISERS

Directors:	S.R. Hodges
	M.P. Hook
	M.B. Morgan
Secretary:	N.D. Jennings
Registered Office:	10 Crown Place, London EC2A 4FT
Registered Number:	4322721
Auditors:	Deloitte LLP
	London

CLOSE BROTHERS FINANCE plc
Strategic Report

Strategic Report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Review of the business

Close Brothers Finance Plc ("The Company") is a finance company. It exists as a funding vehicle for the Close Brothers Limited ("CBL") group. Three fixed rate bonds have been issued; a 7 year £300m 3.875% fixed rate senior unsecured bond was issued on 25 June 2014 with a maturity date of 27 June 2021, a 12 year €25m 2.27% fixed rate senior unsecured bond was issued 13 August 2015 with a maturity date of 13 August 2027 and a €20m 1.437% fixed rate senior unsecured bond was issued 12 April 2016 with a maturity date of 12 April 2024. It is envisaged that the Company will be in existence for the duration of the transaction. The directors are not aware of any likely major changes in the Company's activities in the next year.

CBL manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of its development, performance or position. The performance of CBL, the parent company, is presented in its Annual Report which also includes the results of this Company. The Company exists as a funding vehicle for the group and does not generate profit and loss on its own account.

Principal risks and Uncertainties

The Company has issued third party senior unsecured debt. Cash, accrued interest income, accrued interest payable and other items arise directly from the Company's operations. The Company is a member of Close Brothers Group plc. As such, the Company benefits from services provided by specialist teams, risk management procedures and controls as described in the Close Brothers Group accounts, which are then applied consistently across the Group.

Employees

The Company has no employees.

Future developments

The directors expect the general level of activity to remain consistent with the 2016 year end in the forthcoming year. This is as a result of no significant changes and no events of significant impact.

Events after the balance sheet date

There are no significant events after the balance sheet date.

Creditors' payment policy

It is the Company's policy to settle all debts with its suppliers of goods and services on a timely basis, taking account of the credit period given by each supplier. At 31 July 2016 there were no unpaid suppliers of goods and services (2015: £nil).

The company secretary during the year, and up to the date of signing the financial statements, was N.D.Jennings.

Approval

Approved by the Board and signed on its behalf by:



M P Hook
Director
23 September 2016
10 Crown Place, London. EC2A 4FT

CLOSE BROTHERS FINANCE plc

Directors' report

Directors' Report

The Directors present their annual report on the affairs of the Company, together with the audited financial statements, for the year ended 31 July 2016.

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year was £nil (2015: £nil). The Directors do not recommend the payment of a dividend (2015: nil).

Going Concern

Three fixed rate bonds have been issued; a 7 year £300m 3.875% fixed rate senior unsecured bond was issued on 25 June 2014 with a maturity date of 27 June 2021, a 12 year €25m 2.27% fixed rate senior unsecured bond was issued 13 August 2015 with a maturity date of 13 August 2027 and a €20m 1.437% fixed rate senior unsecured bond was issued 12 April 2016 with a maturity date of 12 April 2024.

It is expected that CBL will continue to use the Company for the issuances of the bonds for the foreseeable future or at least for a period of not less than 24 months from the date of these financial statements.

The directors have a reasonable expectation that the Company and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in note 1 of the financial statements.

Financial Risk Management Objectives and Policies

The Company's purpose is to act as a funding vehicle for the CBL Group. It issues third party debt. The Company's activities expose it to a number of financial risks including market risk, cashflow risk, credit risk, and liquidity risk.

The Company's activities expose it to a number of financial risks including market risk, credit risk and liquidity risk.

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates.

Cashflow risk

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

CLOSE BROTHERS FINANCE plc
Directors' report

Financial Risk Management Objectives and Policies (continued)

Liquidity risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch. The proceeds of the notes issued have been loaned to CBL on the same economic terms to mitigate this risk.

CBL has a prudent liquidity position with funding significantly in excess of its loans and advances to customers. It has a large portfolio of high quality liquid assets including cash placed on deposit with the Bank of England. CBL measures liquidity risk with a variety of measures including regular stress testing and regular cash flow monitoring, and reporting to both the Asset and Liability Committee and Risk and Compliance Committees

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they should have taken as a directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approval

Approved by the board and signed on its behalf by:



M P Hook
Director

23 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLOSE BROTHERS FINANCE PLC

We have audited the financial statements of Close Brothers Finance plc for the year ended 31 July 2016 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Simon Stephens (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
23 September 2016

CLOSE BROTHERS FINANCE plc
Income statement
For the year ended 31 July 2016

		2016	2015
		£	£
	Note		
Interest income	3	12,115,923	11,637,755
Interest expense	3	<u>(12,115,923)</u>	<u>(11,637,755)</u>
Net Interest Income		<u>-</u>	<u>-</u>
Operating profit before tax		<u>-</u>	<u>-</u>
Tax		<u>-</u>	<u>-</u>
Profit after tax from continuing operations		<u>-</u>	<u>-</u>

The above statement should be read in conjunction with the accompanying notes.

CLOSE BROTHERS FINANCE plc
Balance Sheet
As at year-end 31 July 2016

		2016 £	2015 £
Current assets	Note		
Debtors			
- due within one year	4	1,650,046	1,111,680
- due after one year	4	<u>338,086,789</u>	<u>300,012,502</u>
		<u>339,736,835</u>	<u>301,124,182</u>
 Creditors: Amounts falling due within one year	 5	 1,650,046	 1,111,680
 Net current assets		 <u>338,086,789</u>	 <u>300,012,502</u>
 Creditors: Amounts falling due after more than one year	 5	 338,074,287	 300,000,000
 Net assets		 <u>12,502</u>	 <u>12,502</u>
 Capital and reserves			
Called up share capital		12,502	12,502
 Total shareholders' funds		 <u>12,502</u>	 <u>12,502</u>

The above statement should be read in conjunction with the accompanying notes.

The financial statements of Close Brothers Finance plc (registered number 4322721) were approved by the board of directors and authorised for issue 23 September 2016. They were signed on its behalf by:



M.P. Hook
Director
23 September 2016

CLOSE BROTHERS FINANCE plc
Statement of changes in equity
As at 31 July 2016

	Called up share capital *	Total attributable to owners of the Company
	£	£
Balance at 1 August 2014	12,502	12,502
Profit for the period	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	-	-
Balance at 31 July 2015	12,502	12,502
Profit for the period	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	-	-
Balance at 31 July 2016	12,502	12,502

The above statement should be read in conjunction with the accompanying notes.

*Authorised, issued and allotted 50,000 (2015: 50,000) Ordinary shares of £1 each
Fully paid 2 (2015: 2)
Partially paid 49,998 (2015: 49,998) shares paid of 25p each

CLOSE BROTHERS FINANCE plc
Notes to the financial statements
For the year ended 31 July 2016

1. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a) General information

Close Brothers Finance plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the business review on page 2.

The Company has applied Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") issued by the Financial Reporting Council ("FRC") incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

b) Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 July 2015 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. There was no restatement to prior year financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Close Brothers Limited. The group accounts of Close Brothers Limited are available to the public.

c) Adoption of new and revised Standards

As explained above, the Company has adopted FRS 101 for the first time in the current year. As part of this adoption, the following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a material effect on the Company.

d) Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 2. The Company's financial risk management objectives and its exposure to credit risk and liquidity risk have been set out in note 7.

Three fixed rate bonds have been issued; a 7 year £300m 3.875% fixed rate senior unsecured bond was issued on 25 June 2014 with a maturity date of 27 June 2021, a 12 year €25m 2.27% fixed rate senior unsecured bond was issued 13 August 2015 with a maturity date of 13 August 2027 and a €20m 1.437% fixed rate senior unsecured bond was issued 12 April 2016 with a maturity date of 12 April 2024.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

CLOSE BROTHERS FINANCE plc
Notes to the financial statements (continued)
For the year ended 31 July 2016

e) Revenue recognition

Interest income

Interest receivable comprises interest received on intra group lending and is recognised in accordance with the accruals basis.

f) Financial assets and liabilities

Classification

The Company classifies its financial assets into the loans and receivables measurement category. Financial liabilities are classified as amortised cost.

Management determines the classification of its financial assets and liabilities at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all the initial investment will be recovered. Loans and receivables are subsequently carried at amortised cost.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on a financial asset or Company of financial assets classified as loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset or Company of assets and the present value of estimated future cash flows from the asset or Company of assets discounted at the effective interest rate of the instrument at initial recognition.

g) Share capital

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds.

h) Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting).

2. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £10,000 (2015: £10,000). Audit fees and other administrative expenses in this and the prior year were borne by Close Brothers Limited which is the immediate parent undertaking.

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the financial statements of the parent Company are required to disclose such fees on a consolidated basis.

CLOSE BROTHERS FINANCE plc
Notes to the financial statements (Continued)
For the year ended 31 July 2016

3. Interest Income

	2016 £	2015 £
Interest income		
Other interest income	12,115,923	11,637,755
	<u>12,115,923</u>	<u>11,637,755</u>
Interest expense		
Other interest expense	(12,115,923)	(11,637,755)
	<u>(12,115,923)</u>	<u>(11,637,755)</u>
	<u>-</u>	<u>-</u>

4. Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Amounts due from other group companies	1,650,046	1,111,680
	<u>1,650,046</u>	<u>1,111,680</u>
Amounts falling due after more than one year:		
Amounts due from other group companies	338,086,789	300,012,502
	<u>338,086,789</u>	<u>300,012,502</u>
	<u>339,736,835</u>	<u>301,124,182</u>

5. Creditors

The Company has issued the three fixed rate senior unsecured bonds. These have been classified as debt securities in issue and held on balance sheet at amortised cost:

	2016 £	2015 ¹ £
Amounts falling due within one year:		
Debt securities in issue	1,650,046	1,111,680
	<u>1,650,046</u>	<u>1,111,680</u>
Amounts falling due after more than one year:		
Debt securities in issue	338,074,287	300,000,000
	<u>338,074,287</u>	<u>300,000,000</u>
	<u>339,724,333</u>	<u>301,111,680</u>

¹Following review of the application of our policy, prior year numbers have been re-presented for comparability.

6. Directors' emoluments

None of the directors had any material interest in any contract of significance in relation to the business of the Company and none of the directors received any direct emoluments for their services in the current year or prior period.

CLOSE BROTHERS FINANCE plc
Notes to the financial statements (Continued)
For the year ended 31 July 2016

7. Financial Risk Management

Categories of financial instruments at fair value

As a diversified Company of financial services businesses, financial instruments are central to the Company's activities. The risk associated with financial instruments represents a significant component of those faced by the Company and is analysed in more detail below.

Details of the significant 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 Company's assets and liabilities in accordance with the categories of financial instruments in IAS 39.

	Loans and Receivables	Financial Instruments Amortised Cost	Total
	£	£	£
At 31 July 2016			
Assets			
Amounts due to CBL undertakings	339,736,835		339,736,835
	339,736,835	-	339,736,835

Liabilities			
Debt securities in issue		339,724,333	339,724,333
	-	339,724,333	339,724,333

	Loans and Receivables	Financial Instruments Amortised Cost	Total
	£	£	£
At 31 July 2015			
Assets			
Amounts due to CBL undertakings	301,124,182		301,124,182
	301,124,182	-	301,124,182

Liabilities			
Debt securities in issue		301,111,680	301,111,680
	-	301,111,680	301,111,680

CLOSE BROTHERS FINANCE plc
Notes to the financial statements (Continued)
For the year ended 31 July 2016

7. Financial Risk Management (continued)

b) Valuation

The following table summarises the carrying amounts and incorporates the Company's fair values of those financial assets and liabilities not presented on the Company's balance sheet at fair value. The fair values in the table below may be different from the actual amount that will be received/paid on the settlement or maturity of the financial instrument:

	2016	
	Fair value	Carrying Value
	£	£
Debt securities in issue	372,434,703	368,647,412

	2015	
	Fair value	Carrying Value
	£	£
Debt securities in issue	315,415,680	311,211,208

c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As the counterparty is a group company, credit risk is minimal.

Maximum exposure to credit risk

The table below presents the Company'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 at 31 July 2016. For off balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	2016	2015
	£	£
On balance sheet		
Amounts due from CBL	339,736,835	301,124,182
Total maximum exposure to credit risk	339,736,835	301,124,182

d) Market risk

The Company's activities expose it primarily to financial risk of changes in interest rates and foreign currency exchange rates. The Company is a funding vehicle whereby the funds raised from loan notes issued to third parties would be transferred to CBL on the same economic terms as that of the loan notes. Due to this the interest rate and foreign currency exchange rate risk for the Company are negligible.

CLOSE BROTHERS FINANCE plc
Notes to the financial statements (Continued)
For the year ended 31 July 2016

7. 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.

The following table analyses the contractual maturities of the group's on-balance sheet financial liabilities on an undiscounted cash flow basis.

	On demand	In less than three months	in more than three months but not more than six months	in more than six months but not more than one year	in more than one year but not more than five years	in more than five years	Total
	£	£	£	£	£	£	£
At 31 July 2016							
Debt securities in issue		480,159	5,812,500	6,055,668	349,393,307	42,164,904	403,906,538
	-	480,159	5,812,500	6,055,668	349,393,307	42,164,904	403,906,538
At 31 July 2015							
Debt securities in issue			5,812,500	5,812,500	46,500,000	311,625,000	369,750,000
	-	-	5,812,500	5,812,500	46,500,000	311,625,000	369,750,000

8. Controlling party

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Close Brothers Group plc, a company incorporated in the United Kingdom. The parent undertaking of the largest group, which includes the Company and for which group accounts are prepared, is Close Brothers Group plc.

The parent undertaking of the smallest such group is Close Brothers Limited, a Company incorporated in the United Kingdom. Copies of the group financial statements of Close Brothers Group plc and Close Brothers Limited are available from 10 Crown Place, London EC2A 4FT. The Company's immediate controlling party is Close Brothers Limited.

9. Explanation of transition to FRS 101

For all periods up to and including the year ended 31 July 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 July 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 August 2015 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 August 2015, the Company's date of transition to FRS101, and made those changes in accounting policies. No restatements were required for the first-time adoption of FRS 101 for the Company.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

The company has transitioned to FRS 101 from UKGAAP with no material measurement differences therefore, is not required to prepare a full FRS101 transition note.