Close Brothers Finance plc
Annual Report and Financial Statements
for the year ended 31 July 2018

Registered Number: 04322721

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Close Brothers Finance plc

DIRECTORS AND PROFESSIONAL ADVISERS

Directors:	M P Hook M B Morgan A J Sainsbury
Secretary:	J E Hudspith
Registered Office:	10 Crown Place London EC2A 4FT
Registered Number:	04322721
Independent Auditors:	PricewaterhouseCoopers LLP

Close Brothers Finance plc
Strategic Report

STRATEGIC REPORT
The directors present their strategic report for Close Brothers Finance plc ("the Company") in accordance with Section 414C of the Companies Act 2006 for the year ended 31 July 2018.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES
Close Brothers Finance plc ("The Company") is a finance company. It exists as a funding vehicle for Close Brothers Limited ("CBL"). Four fixed rate bonds and two floating 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, a 8 year €20m 1.437% fixed rate senior unsecured bond was issued 12 April 2016 with a maturity date of 12 April 2024, a 10 year £250m 2.75% fixed rate senior unsecured bond was issued on 19 October 2016 with a maturity date of 19 October 2026, a 1 year £40m 3 month Libor +10bps floating rate senior unsecured bond was issued on 16 January 2018 with a maturity date of 16 January 2019 and a 2 year €30m 3 month Euribor +35bps floating rate senior unsecured bond was issued on 27 July 2018 with a maturity date of 27 July 2020. It is envisaged that the Company will be in existence for the duration of the transactions.

The directors do not anticipate any major changes to the present level of activity, or the nature of, the Company's business in the near future.

RESULTS FOR THE YEAR AND KEY PERFORMANCE INDICATORS
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.

The results for the year ended 31 July 2018 are set out in the Income Statement on page 10. The financial position of the Company as at 31 July 2018 is set out in the Balance Sheet on page 12. The result for the financial year amounted to £0 (2017: £nil).

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 financial statements, which are then applied consistently across the CBL Group.

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

Market Risk
While UK economic performance has remained resilient in the last year, the current period of uncertainty is likely to continue reflecting both ongoing Brexit negotiations and wider global events. Economic uncertainty remains elevated in our view.

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

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

Credit risk
Credit risk is one of the principal risks the Company faces. The credit risk is the risk of loss if another party fails to perform its obligation or fails to perform them in a timely fashion. We continue to monitor closely the uncertainty over Brexit combined with rising consumer debt levels and potential increases in interest rates. This uncertainty, combined with the low level of current credit losses, could increase the risk of higher credit losses in the future. As the counterparty is a group company, credit risk is minimal.

No amounts are past due or impaired.

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 liquidty 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.

CAPITAL MANAGEMENT

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

Approved by the Board of Directors and signed on its behalf by:



M P Hook
Director
21 September 2018

Close Brothers Finance plc
Director's Report

DIRECTORS' REPORT
The directors present their annual report and the audited financial statements for the year ended 31 July 2018.

GENERAL INFORMATION
Close Brothers Finance plc ("the Company") is a special purpose company, established as a funding vehicle for the Close Brothers Limited ("CBL") group ("the Group"). The Company is incorporated and domiciled in the United Kingdom and registered in England and Wales.

DIRECTORS
The following served as directors of the Company throughout the year and to the date of this report:

M P Hook
M B Morgan
A J Sainsbury

None of the directors has any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest during the year in any material contract or arrangement with the Company.

COMPANY SECRETARY
The Company secretary during the year, and up to the date of signing the financial statements, was J E Hudspith.

REGISTERED OFFICE
10 Crown Place
London
EC2A 4FT

EMPLOYEES
The Company has no employees (2017: none).

GOING CONCERN
Four fixed rate bonds and two floating 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, a 8 year €20m 1.437% fixed rate senior unsecured bond was issued 12 April 2016 with a maturity date of 12 April 2024, a 10 year £250m 2.75% fixed rate senior unsecured bond was issued on 19 October 2016 with a maturity date of 19 October 2026, a 1 year £40m 3 month Libor +10bps floating rate senior unsecured bond was issued on 16 January 2018 with a maturity date of 16 January 2019 and a 2 year €30m 3 month Euribor +35bps floating rate senior unsecured bond was issued on 27 July 2018 with a maturity date of 27 July 2020.

The directors have a reasonable expectation that CBL will continue to use the Company for the issuances of bonds for the foreseeable future or at least for a period of not less than 12 months from the date of these financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

DIVIDENDS
The directors do not recommend the payment of a dividend (2017: £nil).

FUTURE DEVELOPMENTS
The directors expect the general level of activity to remain consistent with the 2018 year end in the forthcoming year. This is as a result of no significant changes and no events of significant impact after balance sheet date.

EVENTS AFTER THE BALANCE SHEET DATE
On 10 August 2018, a 2 year €20m 0.161% fixed rate senior unsecured bond was issued with a maturity date of 10 August 2020. There are no other significant events after the reporting period affecting the Company.

ISSUED SHARE CAPITAL
The Company's issued share capital consists of two fully paid ordinary shares of £1 (2017: £1) and 49,998 partially paid ordinary shares of 25p each (2017: 49,998).

THIRD PARTY INDEMNITIES
Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the annual reports and financial statements.

APPOINTMENT OF NEW AUDITORS

Following a competitive tender process led by the Board of Close Brothers Group plc, PricewaterhouseCoopers LLP ('PwC') were appointed auditors of the Company at the Annual General Meeting held on 16 November 2017.

The auditors, PwC, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

DISCLOSURE OF FINANCIAL INFORMATION TO AUDITORS

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 auditors are unaware; and
- the director has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

DIRECTORS' RESPONSIBILITY STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

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.

FINANCIAL RISK MANAGEMENT OBJECTIVES

Financial risks including associated financial risks such Market Risk, Credit risk and Liquidity risk have all been disclosed in the Strategic Report.

DIRECTORS' CONFIRMATIONS

In the case of each director in office at the date the Directors' Report is approved:

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

Approved by the Board of Directors and signed on its behalf by:



M P Hook
Director
21 September 2018

Independent auditors' report to the members of Close Brothers Finance plc

Report on the audit of the financial statements

Opinion

In our opinion, Close Brothers Finance plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 July 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 August 2017 to 31 July 2018.

Our audit approach

Context

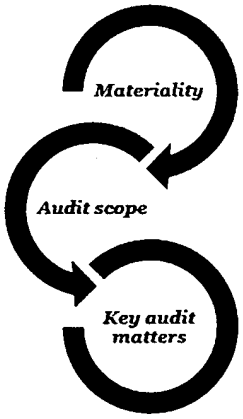
There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

First year audit considerations

Prior to the commencement of the current financial year and our formal appointment in November 2017, PricewaterhouseCoopers LLP ('PwC') had to become independent of the Close Brothers Group plc ("the Group"). This involved PwC ceasing non-permissible commercial and personal financial and business relationships for the firm, partners and staff. During this time, we met with management across the Group to understand the business and to gather information which we needed to plan our first audit effectively. We met with the former auditors and attended the Board Audit Committee and Board Risk Committee meetings throughout the 2018 audit cycle to understand the key audit matters as and when they arose. We also reviewed the audit working papers of the former auditors to gain sufficient comfort over the 2018 opening balance sheet and comparative financial information. Our review also focused on how they had responded to the key management judgements used in preparing the financial statements and work performed over key business processes across the Group.

Overview



- Overall materiality: £6.6 million, based on 1% of total assets.
- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.
- We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
- We have no key audit matters to report.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements, including, but not limited to, the company financial statements, including, but not limited to, the Companies Act 2006, UK tax legislation and Listing Rules of the Financial Conduct Authority (FCA). Our tests included, but were not limited to, review of the financial statement disclosures to underlying documentation and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us taking into account the accounting processes and controls in place at CBL as administrator and servicer, and the industry in which the company operates.

We obtained an understanding of the control environment in place at the administrator and adopted a controls and substantive testing approach.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£6.6 million.
How we determined it	1% of total assets.
Rationale for benchmark applied	The entity is a not-for-profit whose main priority is to remit the cash received in respect of its assets so as to repay its liabilities. As such total assets is considered an appropriate benchmark. Where total assets is used, if the company is a public interest entity, a rule of thumb of up to 1% can be applied. We have deemed this to be a public interest entity and have therefore applied 1% due to the fact the entity has listed debt.

We will report misstatements identified during our audit above £0.3 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Group Audit Committee, we were appointed by the directors on 16 November 2017 to audit the financial statements for the year ended 31 July 2018 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.



Mark Hannam (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 September 2018

Close Brothers Finance plc
Income Statement
For the year ended 31 July 2018

	Note	2018 £	2017 £
Interest income	5	19,421,437	17,840,325
Interest expense	5	(19,421,437)	(17,840,325)
Net interest income		-	-
Operating profit before tax		-	-
Tax		-	-
Profit for the financial year		-	-

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

Close Brothers Finance plc
Statement of Comprehensive Income
For the year ended 31 July 2018

	2018 £	2017 £
Profit for the financial year	-	-
Other comprehensive income that may be reclassified to income statement	-	-
Other comprehensive income that will not be reclassified to income statement	-	-
Other comprehensive income for the year net of tax	-	-
Total comprehensive income for the year	-	-

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

Close Brothers Finance plc
Balance Sheet
As at 31 July 2018

	Note	2018 £	2017 £
Current assets			
Debtors			
- due within one year	6	43,647,866	3,634,629
- due after one year	6	616,917,052	590,284,562
		660,564,918	**593,919,191**
Creditors: amounts falling due within one year	7	43,647,866	3,634,629
Net current assets		**616,917,052**	**590,284,562**
Creditors: amounts falling due after more than one year	7	616,904,550	590,272,060
Net assets		**12,502**	**12,502**
Equity			
Called up share capital	8	12,502	12,502
Total shareholders' equity		**12,502**	**12,502**

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

These financial statements of Close Brothers Finance plc (registered number 04322721) were approved and authorised for issue by the Board of Directors on 21 September 2018. They were signed on its behalf by:

M. P. Hook
Director
21 September 2018

Close Brothers Finance plc
Statement of Changes in Equity
For the year ended 31 July 2018

	Called up share capital	Total attributable to owners of the Company
	£	£
Balance at 1 August 2016	**12,502**	**12,502**
Profit for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Balance at 31 July 2017	**12,502**	**12,502**
Profit for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Balance at 31 July 2018	**12,502**	**12,502**

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

1. 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 strategic report on page 2.

Details of the undertaking in whose consolidated financial statements the Company is included are shown in note 11 to the financial statements.

2. Significant accounting policies

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

a) Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council.The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101 'Reduced Disclosure Framework'.

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.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, impairment of assets, cash-flow statement, related party transaction and standards not yet effective. Where relevant, equivalent disclosures have been given in the financial statements of Close Brothers Group plc. The financial statements of Close Brothers Group plc are available to the public and can be obtained as set out in note 11.

The financial statements have been prepared on the historical cost basis, except for 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.

b) Standards adopted during the year

There were no new standards adopted during the year ended 31 July 2018. The accounting policies adopted are consistent with those of the previous year.

c) Going concern

The financial statements are prepared on a going concern basis as disclosed in the Directors' Report on page 4.

d) Revenue recognition

Interest income

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

e) 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 using the effective interest method.

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

This category has two sub-categories: Financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception.

2. Significant accounting policies (continued)

Financial assets and liabilities may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis;
- A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis; or
- The assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately.

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the income statement.

f) 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.

Impairment losses are assessed individually for financial assets that are individually significant, and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics.

For loans and receivables, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the original effective interest rate. As the loan amortises over its life, the impairment loss may amortise. All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed. Interest on impaired financial assets is recognised at the original effective interest rate applied to the carrying amount as reduced by an allowance for impairment.

For loans that are not considered individually significant, the Company adopts a formulaic approach which allocates a loss rate dependent on the overdue period. Loss rates are based on the discounted expected future cash flows and are regularly benchmarked against actual outcomes to ensure they remain appropriate.

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

3. Critical accounting estimates and judgements

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

3. Critical accounting estimates and judgements (continued)

judgements and estimates that are reasonable and prudent. The Company's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The actual outcome may be materially different from that anticipated. The judgements and assumptions involved in the Company's accounting policies that are considered by the board to be the most important to the portrayal of its financial condition are as follows:

a) Interest Income

The effective interest rate method applies a rate that discounts estimated future cash payments or receipts relating to a financial instrument to its net carrying amount. The estimated future 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. Models are reviewed at least annually to assess expected lives of groups of assets based upon actual repayment profiles.

4. Auditors' remuneration

Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements were £6,000 (2017: £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 the Company's auditors 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.

5. Net Interest Income

	2018 £	2017 £
Interest income		
Other interest income	19,421,437	17,840,325
	19,421,437	**17,840,325**
Interest expense		
Other interest expense	(19,421,437)	(17,840,325)
	(19,421,437)	**(17,840,325)**
Net interest income	-	-

6. Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Amounts due from other group companies	43,647,866	3,634,629
	43,647,866	**3,634,629**
Amounts falling due after more than one year:		
Amounts due from other group companies	616,917,052	590,284,562
	616,917,052	**590,284,562**
	660,564,918	**593,919,191**

7. Creditors

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

	2018 £	2017 £
Amounts falling due within one year:		
Debt securities in issue	43,647,866	3,634,629
	43,647,866	**3,634,629**
Amounts falling due after more than one year:		
Debt securities in issue	616,904,550	590,272,060
	616,904,550	**590,272,060**
	660,552,416	**593,906,689**

8. Issued share capital

The Company's issued share capital consists of two fully paid ordinary shares of £1 and 49,998 partially paid ordinary shares of 25p each (2017: £12,502).

9. 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 year.

10. 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.

The Company's financial risk management objectives are summarised within the Risk and Control Framework in Corporate Governance within the Close Brothers Group plc annual report. 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 2.

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 2018			
Assets			
Amounts due from CBL undertakings	660,564,918	-	**660,564,918**
	660,564,918	-	**660,564,918**
Liabilities			
Debt securities in issue	-	660,552,416	**660,552,416**
	-	**660,552,416**	**660,552,416**

10. Financial Risk Management (continued)
10. a) Classification (continued)

	Loans and Receivables	Financial Instruments Amortised Cost	Total
	£	£	£
At 31 July 2017			
Assets			
Amounts due from CBL undertakings	593,919,191	-	**593,919,191**
	593,919,191	-	**593,919,191**
Liabilities			
Debt securities in issue	-	593,906,689	**593,906,689**
	-	**593,906,689**	**593,906,689**

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:

	2018	
	Fair value	Carrying value
	£	£
Debt securities in issue	679,442,475	660,552,416

	2017	
	Fair value	Carrying value
	£	£
Debt securities in issue	637,720,353	593,906,689

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 2018. For off balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	2018	2017
	£	£
On balance sheet		
Amounts due from CBL	660,564,918	593,919,191
Total maximum exposure to credit risk	**660,564,918**	**593,919,191**

10. Financial Risk Management (continued)

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.

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 Company'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 2018							
Debt securities in issue	-	4,031,735	45,900,490	9,510,280	380,570,201	316,992,830	757,005,536
	-	**4,031,735**	**45,900,490**	**9,510,280**	**380,570,201**	**316,992,830**	**757,005,536**
At 31 July 2017.							
Debt securities in issue	-	3,945,375	5,812,500	9,507,204	365,435,319	324,771,221	709,471,619
	-	**3,945,375**	**5,812,500**	**9,507,204**	**365,435,319**	**324,771,221**	**709,471,619**

11. Ultimate Parent Undertaking

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 financial statements 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.

12. Events after the balance sheet date

On 10 August 2018, a 2 year €20m 0.161% fixed rate senior unsecured bond was issued with a maturity date of 10 August 2020. There are no other significant events after the reporting period affecting the Company.