

Close Brothers Finance plc
Annual Report and Financial Statements
For the year ended 31 July 2017

Registered Number: 4322721

Close Brothers Finance plc

DIRECTORS AND PROFESSIONAL ADVISERS

Directors: M P Hook
M B Morgan
A J Sainsbury (appointed 17 November 2016)
S R Hodges (resigned 17 November 2016)

Secretary: J E Hudspith (appointed 24 May 2017)
N D Jennings (resigned 24 May 2017)

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 Close Brothers Limited ("CBL"). Four 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, a €20m 1.437% fixed rate senior unsecured bond was issued 12 April 2016 with a maturity date of 12 April 2024 and 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. It is envisaged that the Company will be in existence for the duration of the transactions. 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.

The Company's directors are of the opinion that analysis using KPIs is not necessary or appropriate for an understanding of the Company's development, performance or position. However, a defined set of KPIs for the securitisation transaction are set out in the documents governing the transaction, and published monthly as a report to investors.

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 CBL Group.

Employees

The Company has no employees.

Future developments

The directors expect the general level of activity to remain consistent with the 2017 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

There are no significant events after the balance sheet date.

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

Approval

Approved by the Board and signed on its behalf by:



M P Hook
Director
25 September 2017
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 2017.

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 Financial Reporting Standard 101 Reduced Disclosure Framework. 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 Financial Reporting Standard 101 Reduced Disclosure Framework have 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 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 (2016: £nil). The directors do not recommend the payment of a dividend (2016: £nil).

Going Concern

Four 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, a €20m 1.437% fixed rate senior unsecured bond was issued 12 April 2016 with a maturity date of 12 April 2024 and 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.

It is expected 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 24 months from the date of these financial statements.

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 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.

Directors

The directors of the Company during the year and subsequently were:

M P Hook
M B Morgan
A J Sainsbury (appointed 17 November 2016)
S R Hodges (resigned 17 November 2016)

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 period 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.

**Close Brothers Finance plc
Directors' report (continued)**

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.

Market risk

The Company's activities expose it primarily to the financial risks 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 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 refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company.

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.

Following a competitive tender process, the Board of Close Brothers Group plc, the ultimate parent undertaking, has recommended that PricewaterhouseCoopers LLP be appointed as auditor of the group and its subsidiaries with effect from the forthcoming Annual General Meeting on 16 November 2017. Deloitte LLP will continue in office until the formal resignation process has been completed at the Annual General Meeting.

Approval

Approved by the board and signed on its behalf by:



M P Hook
Director

25 September 2017

**Close Brothers Finance plc
Auditor's Report**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLOSE BROTHERS FINANCE PLC
Report on the audit of the financial statements**

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Close Brothers Finance plc (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was the recoverability of debtors provided to parent undertakings.
Materiality	The materiality that we used in the current year was £17.8m which was determined on the basis of 3% of total assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

We have nothing to report in respect of these matters.

- the directors' use of the going concern basis of accounting in 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of debtors from parent undertakings	
<p>Key audit matter description</p> 	<p>Debtors from parent undertakings are stated in the balance sheet at £593.9m.</p> <p>There a degree of judgement involved in determining the appropriateness of the accounting treatment including the presentation and recoverability of these debtors from parent undertakings which takes into account the contractual arrangements and the financial position of the parent undertakings. Based on the judgement involved we also deem this to be a fraud risk.</p> <p>Further details are included within critical accounting estimates and judgements note in note 1 and note 4 to the financial statements.</p>
<p>How the scope of our audit responded to the key audit matter</p> 	<p>We reconciled the debtor within the company to the corresponding payable in the parent undertakings as per our underlying audit work. We further challenged the directors' judgements regarding the appropriateness of the carrying value through obtaining a copy of the latest audited financial information for the period ended 31 July 2017 and confirming the net asset position and profit making nature of the parent undertakings.</p>
<p>Key observations</p> 	<p>Based on the work performed we concluded that debtors from parent undertakings are appropriately stated.</p>

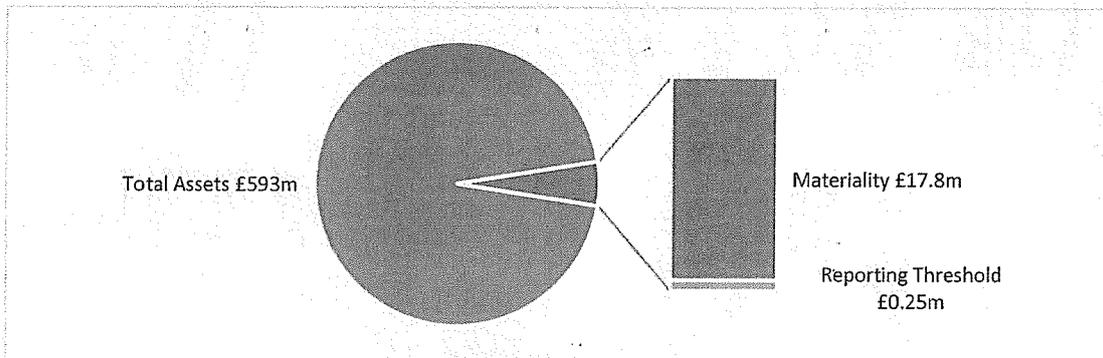
**Close Brothers Finance plc
Auditor's Report (continued)**

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£17.8m
Basis for determining materiality	3% of total assets
Rationale for the benchmark applied	We determined materiality based on total assets as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by total assets value movements.



We agreed with the directors that we would report to them all audit differences in excess of £0.25m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

**Close Brothers Finance plc
Auditor's Report (continued)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. ***We have nothing to report in respect of these matters.***

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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.

Responsibilities of directors

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, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Close Brothers Finance plc
Auditor's Report (continued)**

Use of our report

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

We have nothing to report in respect of these matters.

- we have not received all the information and explanations we require for our audit; or
- 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.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Close Brothers Finance plc
Auditor's Report (continued)

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 19 May 2008 to audit the financial statements for the year ending 31 July 2008 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 July 2008 to 31 July 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).



Simon Stephens FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 September 2017

Close Brothers Finance plc
Income statement
For the year ended 31 July 2017

		2017	2016
		£	£
Interest income	Note 3	17,840,325	12,115,923
Interest expense	3	<u>(17,840,325)</u>	<u>(12,115,923)</u>
Net Interest Income		-	-
Operating profit before tax		-	-
Tax		<u>-</u>	<u>-</u>
Profit after tax from continuing operations		-	-

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

Close Brothers Finance plc
Statement of other comprehensive income
For the year ended 31 July 2017

	2017	2016
	£	£
Profit after tax from continuing operations	-	-
Other comprehensive income that may be reclassified to income statement from continuing operations	-	-
Other comprehensive income that will not be reclassified to income statement from continuing operations	-	-
Other Comprehensive income for the year net of tax from continuing operations	-	-
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 2017

		2017	2016
		£	£
Current assets	Note		
Debtors			
- due within one year	4	3,634,629	1,650,046
- due after one year	4	590,284,562	338,086,789
		<u>593,919,191</u>	<u>339,736,835</u>
Creditors: Amounts falling due within one year	5	3,634,629	1,650,046
Net current assets		<u>590,284,562</u>	<u>338,086,789</u>
Creditors: Amounts falling due after more than one year	5	590,272,060	338,074,287
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 25 September 2017. They were signed on its behalf by:



M.P. Hook
Director
25 September 2017

Close Brothers Finance plc
Statement of changes in equity
For the year ended 31 July 2017

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

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

*Authorised, issued and allotted 50,000 (2016: 50,000) Ordinary shares of £1 each.
Fully paid 2 (2016: 2).
Partially paid 49,998 (2016: 49,998) shares paid of 25p each.

Close Brothers Finance plc
Notes to the financial statements
For the year ended 31 July 2017

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. 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 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) Standards adopted during the year

There were no new standards adopted during the year ended 31 July 2017. The accounting policies adopted as consistent with those of the previous year.

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.

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.

e) Revenue recognition

Interest income

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

Close Brothers Finance plc
Notes to the financial statements (continued)
For the year ended 31 July 2017

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 that 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 (2016: £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 2017

3. Interest Income

	2017	2016
	£	£
Interest income		
Other interest income	17,840,325	12,115,923
	<u>17,840,325</u>	<u>12,115,923</u>
Interest expense		
Other interest expense	(17,840,325)	(12,115,923)
	<u>(17,840,325)</u>	<u>(12,115,923)</u>
Net Interest Income	<u>-</u>	<u>-</u>

4. Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Amounts due from other group companies	3,634,629	1,650,046
	<u>3,634,629</u>	<u>1,650,046</u>
Amounts falling due after more than one year:		
Amounts due from other group companies	590,284,562	338,086,789
	<u>590,284,562</u>	<u>338,086,789</u>
	<u>593,919,191</u>	<u>339,736,835</u>

5. Creditors

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

	2017	2016
	£	£
Amounts falling due within one year:		
Debt securities in issue	3,634,629	1,650,046
	<u>3,634,629</u>	<u>1,650,046</u>
Amounts falling due after more than one year:		
Debt securities in issue	590,272,060	338,074,287
	<u>590,272,060</u>	<u>338,074,287</u>
	<u>593,906,689</u>	<u>339,724,333</u>

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 2017

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 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
At 31 July 2016			
Assets			
Amounts due from 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

Close Brothers Finance plc
Notes to the financial statements (continued)
For the year ended 31 July 2017

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:

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

	2016	
	Fair value	Carrying Value
	£	£
Debt securities in issue	372,434,703	339,724,333

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 2017. For off balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	2017	2016
	£	£
On balance sheet		
Amounts due from CBL	593,919,191	339,736,835
Total maximum exposure to credit risk	593,919,191	339,736,835

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.

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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 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 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
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

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. Events after the balance sheet date

There are no significant events after the reporting period affecting the Company.

