

Close Brothers Technology Services Limited

Annual Report and Financial statements

For the year ended 31 July 2019



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Company information

Profile

Close Brothers Technology Services Limited (the "Company") is a member of Close Brothers Group plc ("CBG"), a specialist financial services group which provides loans, trades securities and investment management services.

The Company provides a range of financial and non-financial services to support businesses in their investment and management of technology. These products support the acquisition of technology assets and support services and their in-life management and end-of-life redeployment or disposal.

Directors

L A Bazzard
T Chatha (Appointed: 15/11/2018, resigned: 27/02/2019)
N G Davies
J A Drake
I C McVicar
M B Morgan (Resigned: 15/08/2018)
A J Sainsbury
D P Thomson

Secretary

J A Drake

Independent auditors

PricewaterhouseCoopers LLP

Registered Office

10 Crown Place
London EC2A 4FT
United Kingdom

Registration Number

09758793

Strategic report

The directors present their strategic report for Close Brothers Technology Services Limited ("the Company") in accordance with Section 414C of the Companies Act 2006 for the year ended 31 July 2019.

The Company is a subsidiary of Close Brothers Group plc ("CBG") and operates as part of CBG's Banking division. Its immediate parent is Close Brothers Limited ("CBL").

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of instalment credit to business customers.

The results for the year ended 31 July 2019 are set out in the income statement on page 9. The financial position of the Company at 31 July 2019 is set out in the balance sheet on page 11. The loss for the financial year after tax amounted to £1,641,926 (2018: £2,202,818).

Following a strategic business review, the Company will no longer be accepting any new customers. The Company will continue to manage and support existing customers to the end of their contractual agreements.

RESULTS FOR THE YEAR AND KEY PERFORMANCE INDICATORS

The Company's key financial and other performance indicators during the year were as follows:

	2019	Restated 2018	Change
	£	£	%
Operating income	1,231,663	686,278	79%
Loss before taxation	2,020,506	2,700,960	-25%
Loans and advances to customers	14,518,175	12,181,759	19%
Total Shareholders' (deficit)/funds	(1,419,041)	300,729	-572%
Total assets	20,413,742	17,004,665	20%

The loans and advances to customers for FY2018 have been restated due to a reclassification of operating leases and finance leases. Details of the restatement are set out in note 20.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to the risk management processes of Close Brothers Group Plc. Details of the principal risks and uncertainties relating to the Company's immediate and ultimate parent, can be found in Close Brothers Group plc's Annual Report 2019.

The Company's principal financial assets are financial receivables, trade and other receivables.

APPROVAL

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



N G Davies
Director

23 September 2019

10 Crown Place
London, EC2A 4FT
United Kingdom

The directors present their annual report and the audited financial statements for the year ended 31 July 2019.

GENERAL INFORMATION

Close Brothers Technology Services Limited ("the Company") is a subsidiary of Close Brothers Group plc and operates as part of the Commercial division. The Company is incorporated and domiciled in the United Kingdom and registered in England and Wales.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

L A Bazzard
N G Davies
J A Drake
I C McVicar
A J Sainsbury
D P Thomson

COMPANY SECRETARY

The company secretary, J A Drake, served through the year and to the date of this report.

DIVIDENDS

No interim or final dividends were declared or paid during the year ended 31 July 2019 (2018: nil).

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

RESEARCH AND DEVELOPMENT

The Company did not enter into any research and development activities during the year.

POST BALANCE SHEET EVENTS

Details of significant events since the balance sheet date are contained in note 24 to the financial statements.

EXISTENCE OF BRANCHES OUTSIDE THE UK

The Company had no branches in existence outside the United Kingdom.

GOING CONCERN

The Company has appropriate borrowing facilities from CBL and maintains the support of its parent and has received written confirmation to that effect. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, despite no longer accepting new customers. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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 obligations or fails to perform them in a timely fashion. The company's credit risk is primarily attributable to its trade and finance lease receivables.

Credit risk at inception of new lending is controlled by a number of senior managers operating within a framework of delegated underwriting authorities. In addition, arrears and other default-related information are monitored and discussed regularly by directors and other senior managers and mitigating actions are taken in a timely manner where appropriate.

Expected credit losses are recognised for loans and advances to customers and banks, other financial assets held at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts. The impairment charge in the income statement includes the change in expected credit losses. The amounts presented in the balance sheet are net of provision.

Interest rate risk

The Company lends to customers at fixed and variable rates. The price charged on fixed rate lending is dependent on the cost of funds the Company faces in funding these loans at the point of inception.

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 Company maintains a prudent liquidity position at all times, and measures liquidity risk with a variety of measures including regular stress testing and cash flow monitoring, and reporting to both the Company and divisional boards.

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 should 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.

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

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



N G Davies
Director

23 September 2019

10 Crown Place, London
United Kingdom

Directors' responsibilities 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 of the company for that period.

In preparing the 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 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. The directors are 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 financial statements on pages 9 to 33 were approved by the Board of Directors and signed on its behalf by:



N G Davies
Director

23 September 2019

10 Crown Place, London
United Kingdom

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Close Brothers Technology Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2019 and of its loss 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 income statement for the year ended 31 July 2019, the statement of comprehensive income for the year ended 31 July 2019, the balance sheet at 31 July 2019, and the statement of changes in equity for the year ended 31 July 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 2019 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' Responsibilities Statement set out on page 6, 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.



Jonathan Hinchliffe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 September 2019

**Income Statement
for the year ended 31 July 2019**

	Note	2019 £	Restated 2018* £
Operating lease income		2,037,636	1,110,251
Operating lease depreciation		(1,750,665)	(926,558)
Net operating lease income		286,971	183,693
Interest income	6	1,114,523	596,895
Interest expense	6	(312,603)	(154,475)
Net interest income		801,920	442,420
Fee and commission income	7	66,538	40,670
Fee and commission expense	7	(974)	(797)
Other income	7	77,208	20,291
Non-interest income		142,772	60,164
Operating income		1,231,663	686,277
Administrative expenses	8	(2,970,614)	(3,169,860)
Impairment losses on loans and advances	13	(281,555)	(217,377)
Total operating expenses		(3,252,169)	(3,387,237)
Loss before taxation		(2,020,506)	(2,700,960)
Tax	10	378,580	498,142
Loss for the financial year		(1,641,926)	(2,202,818)

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

*The comparative period for the interest income was restated due to a review of classification of operating leases and finance leases, see note 20 for further information.

Close Brothers Technology Services Limited

**Statement of Comprehensive Income
for the year ended 31 July 2019**

	Note	2019 £	2018 £
		<hr/>	<hr/>
Loss for the financial year:		(1,641,926)	(2,202,818)
		<hr/>	<hr/>
Total comprehensive expense for the financial year		<u>(1,641,926)</u>	<u>(2,202,818)</u>

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

Close Brothers Technology Services Limited

Balance Sheet
at 31 July 2019

	Note	2019 £	Restated 2018* £
Fixed assets			
Intangible assets	11	338,606	476,341
Tangible assets	12	4,821,809	3,867,685
		<u>5,160,415</u>	<u>4,344,026</u>
Current assets			
Cash and cash equivalents		7,214	9,998
Debtors - amounts falling due within one year	13	7,059,059	4,997,027
Inventories	14	20,000	24,998
Debtors - amounts falling due after one year	13	8,153,480	7,603,045
Deferred tax	10	13,574	25,568
		<u>15,253,327</u>	<u>12,660,637</u>
Creditors: amounts falling due within one year	15	<u>(14,912,282)</u>	<u>(10,877,935)</u>
Net current assets		<u>341,045</u>	<u>1,782,703</u>
Total assets less current liabilities		<u>5,501,460</u>	<u>6,126,729</u>
Creditors: amounts falling due after more than one year	15	<u>(6,920,500)</u>	<u>(5,826,000)</u>
		<u>(6,920,500)</u>	<u>(5,826,000)</u>
Net (liabilities) / assets		<u>(1,419,040)</u>	<u>300,729</u>
Capital and reserves			
Called up share capital		1,000,000	1,000,000
Preference share capital		5,125,000	5,125,000
Accumulated losses		(7,544,040)	(5,824,271)
Total shareholders' (deficit) / funds		<u>(1,419,040)</u>	<u>300,729</u>

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

*The comparative period has been prepared under IAS 39, see note 18 for transitional adjustments to IFRS 9. The comparative period has also been restated due to a review of classification of operating leases and finance leases, see note 20 for further information.

These financial statements of Close Brothers Technology Services Limited registered number 09758793 were approved by the Board of Directors and authorised for issue on 23 September 2019. They were signed on its behalf by:



N G Davies
Director

**Statement of Changes in Equity
for the year ended 31 July 2019**

	Note	Called-up share capital £	Preference share capital £	Accumulated losses £	Total equity £
Balance at 1 August 2017		600,000	3,175,000	(3,622,441)	152,559
Loss for the year		-	-	(2,202,818)	(2,202,818)
Other comprehensive income for the year		-	-	-	-
Total comprehensive expense for the year		-	-	(2,202,818)	(2,202,818)
Issue of share capital		400,000	-	-	400,000
Issue of preference share capital		-	1,950,000	-	1,950,000
Income Tax		-	-	988	988
				-	-
Balance at 31 July 2018		1,000,000	5,125,000	(5,824,271)	300,729
IFRS 9 transition adjustment	19	-	-	(77,491)	(77,491)
Restated balance as at 1 August 2018		1,000,000	5,125,000	(5,901,762)	223,238
Loss for the year		-	-	(1,641,926)	(1,641,926)
Other comprehensive income for the year		-	-	-	-
Total comprehensive expense for the year		-	-	(1,641,926)	(1,641,926)
Issue of share capital		-	-	-	-
Issue of preference share capital		-	-	-	-
Income Tax		-	-	(352)	(352)
Balance at 31 July 2019		1,000,000	5,125,000	(7,544,040)	(1,419,040)

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

**Notes to the Financial Statements
for the year ended 31 July 2019**

1. General Information

Close Brothers Technology Services Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The registered address is 10 Crown Place, London. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 3.

2. Significant accounting policies

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

a) Basis of accounting

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 FRS 101 'Reduced Disclosure Framework'. The financial statements are prepared under the historical cost convention, as modified, by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit or loss, where applicable, and in accordance with the Companies Act 2006.

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 the presentation of comparative information in respect of certain assets, presentation of a cashflow statement (IAS 7), standards not yet effective (IAS 8), impairment of assets (IAS 36), and related party transactions (IAS 24).

Where required, equivalent disclosures are given in the group financial statements of Close Brothers Group plc. The group financial statements of Close Brothers Group plc are available to the public and can be obtained as set out in note 26.

b) Going concern

The financial statements are prepared on a going concern basis as disclosed in the directors' report.

c) Revenue recognition

Operating lease income

Operating lease income on assets held under operating leases is recognised in the income statement over the lease term on a straight line basis.

Interest income

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

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 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.

Fees and commissions

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

The Company also adopted the requirements of IFRS 15 Revenue from Contracts with Customers, replacing IAS 18 Revenue. This had no effect on the revenue recognition on adoption.

d) Financial assets and liabilities (excluding derivatives)

Classification and measurement

Per IFRS9, financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Initial recognition is at fair value plus directly attributable transaction costs. Interest income is accounted for using the effective interest rate method.

The Company classifies its financial assets into amortised cost measurement category. Financial liabilities are classified as amortised cost using the effective interest rate method.

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

Derecognition

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

The following was applied in the previous financial year under IAS 39:

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.

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 of the initial investment will be recovered, other than because of credit deterioration.

Loans and receivables are subsequently carried at amortised cost using the effective interest method and recorded net of provisions for impairment losses.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and

2. Significant accounting policies (continued)**d) Financial assets and liabilities (excluding derivatives) (continued)**

rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Company has retained control, the assets continue to be recognised to the extent of the Company's continuing involvement. Financial liabilities are derecognised when they are extinguished.

e) Impairment of financial assets

Per IFRS9, expected credit losses are recognised for loans and advances to customers and banks, other financial assets held at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts. The impairment charge in the income statement includes the change in expected credit losses.

At initial recognition, a provision is recognised for 12 months of expected credit losses. These financial assets are considered to be in Stage 1. When a significant increase in credit risk since initial recognition occurs, a provision is made for the lifetime expected credit losses. These financial assets are considered to be in Stage 2. When objective evidence exists that a financial asset is credit impaired, with a 90 days past due back stop, the financial asset is considered to be in Stage 3. A financial asset will remain classified as Stage 2 until the credit risk has improved such that it no longer represents a significant increase since origination and will be returned to Stage 1. Loans and advances to customers are written off against the related provisions when there are no reasonable expectations of recovery.

Expected credit losses are calculated for loans and advances to banks, amounts due from other group companies, amounts due from parent company, based on a standard probability of default, estimated exposure at default and estimated loss given default calculation. The expected credit losses for these financial assets are immaterial and as such have not been recognised in these financial statements.

The following was applied in the previous financial year under IAS 39:

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as available for sale or loans and receivables is impaired. A financial asset or group of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on a financial asset or group 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 group of assets and the present value of estimated future cash flows from the asset or group 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.

f) Finance leases, operating leases and hire purchase contracts

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

Rental costs under operating leases and hire purchase contracts are charged to the income statement in equal instalments over the period of the leases. Rental income from operating leases is recognised in equal instalments over the period of the leases and included in net operating income in the income statement.

g) Intangible assets

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

Computer software	3 to 5 years
Intangible assets on acquisition	8 to 20 years

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

h) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and provisions for impairment. Depreciation is calculated to write off their cost on a straight-line basis over their estimated useful lives as follows:

Long leasehold property	40 years
Short leasehold property	Over length of lease
Fixtures, fittings and equipment	3 to 5 years
Assets held under operating leases	1 to 15 years
Motor vehicles	5 years

2. Significant accounting policies (continued)

i) Share capital

Share issue costs

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

Dividends on ordinary shares

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

Dividends on preference shares

Dividends on preference shares are recognised in equity in the period in which they are accrued, regardless of whether they are paid or declared. Dividends on preference shares are ranked ahead of dividends on ordinary shares.

j) Employee benefits

Close Brothers Group plc ("CBG"), the ultimate parent company, operates long term incentive arrangements in which group employees have participated. These include the Deferred Share Awards ("DSA") scheme, Long Term Incentive Plan ("LTIP"), Share Matching Plan ("SMP") and HMRC approved Save As You Earn ("SAYE") scheme.

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

The cost of LTIP, SMP and SAYE is based on the fair value of awards on the date of grant. Fair values for market based performance conditions are determined using a stochastic (Monte Carlo simulation) pricing model for LTIP and SMP and the Black-Scholes pricing model for other schemes. Both models take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the CBG share price over the life of the option award and other relevant factors.

For non-market based performance conditions, vesting conditions are not taken into account when measuring fair value, but are reflected by adjusting the number of shares in each award such that the amount recognised reflects the number that are expected to, and then actually do, vest. CBG expense the fair value of the awards, including recharges to subsidiary companies where applicable, in their income statement on a straight line basis over the vesting period, with a corresponding credit to the share-based payments reserve. At the end of the vesting period, or upon exercise, lapse or forfeit if earlier, this credit is transferred to retained earnings. Further information on the group's schemes is provided in note 23.

New employees may be granted recruitment awards on commencement of employment in line with CBG's Remuneration Policy. The fair value of the award at grant date is charged to the income statement on a straight line basis over the vesting period.

k) Provisions and contingent liabilities

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

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

l) Taxes, including deferred taxes

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

To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set. All deferred tax liabilities are offset against deferred tax assets in accordance with the provisions of International Accounting Standard 12 *Income taxes* ("IAS 12").

m) Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash.

n) Inventories

Inventories comprise technology products acquired on behalf of customers for subsequent finance to those customers. The inventories are valued at cost.

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 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) Significant increase in credit risk

The assessment of whether a significant increase in credit risk has occurred requires judgement. The assessment is unbiased, probability weighted and uses forward-looking information. The Company uses a multifactor approach based on quantitative measures and qualitative indicators to help make such an assessment. Quantitative measures include changes in days past due since origination and qualitative indicators include forbearance and watch list processes. As a backstop, all financial assets that are 30 days past due are considered to have experienced a significant increase in credit risk.

3. Critical accounting estimates and judgements (continued)**b) Definition of default**

The definition of default is a judgement. Loans and advances to customers are considered defaulted when the borrower is in breach of contract, is bankrupt, or experiences other significant financial difficulties which are expected to have a detrimental impact on their ability to pay interest or principal on the loan.

The critical accounting judgement below relates to the previous financial year under IAS 39:

Loan impairment provisions

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the balance sheet date. Changes to the allowances for loan impairment are reported in the income statement as impairment losses on loans and advances. Impairment provisions are made if there is objective evidence of impairment as a result of one or more subsequent events regarding a significant loan or a portfolio of loans.

Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loans' original effective interest rate. Impairment losses determined on a portfolio basis are calculated using 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.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral. All impairment losses are reviewed at least annually.

b) Key sources of estimation uncertainty

At the balance sheet date, the directors consider that loan expected credit loss provisions are a key source of estimation uncertainty which, depending on a range of factors, could result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

The expected credit loss provision for the Company was £297,033 at 31 July 2019 (1 August 2018: £310,366).

The expected credit loss provision is sensitive to judgement and estimations made with regards to the loss rate applied to calculate the expected credit loss. As a result, management has assessed and considered the sensitivity of the provision by recalculating the expected credit loss provision. The sensitivities below are based on reasonably possible changes in loss rate. As at 31 July 2019, changes in loss rate percentages compared to actual loss rates would increase/(decrease) the company's expected credit loss provisions by the following amounts:

	2019
	£
+10% increase in loss rate on stage 1 and 2	7,875
-10% decrease in loss rate on stage 2 and 3	(29,634)

c) Revenue**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.

Fee and commission income

Fee and commission income is recognised depending on the nature of service provided:

- Income which forms an integral part of the effective interest rate is recognised as an adjustment to the effective interest rate and recorded in interest income;
- Income earned from provision of services is recognised as the services are provided; and
- Income earned on the execution of a significant act is recognised when the act is completed.

4. Turnover

Turnover arises from the Company's principal activity and represents fees and interest charged on the single class of business being the provision of instalment credit to business customers, exclusive of VAT and intra-Company transactions. Turnover arises predominantly in the United Kingdom therefore segmental analysis has not been provided.

5. Auditors' remuneration

Auditors' remuneration relating to the audit of the Company's accounts of £5,326 (2018: £5,171) is paid by CBG and borne by CBL, the immediate parent company.

There were no fees payable to the auditors and their associates for non-audit services.

6. Interest income & expense

	2019	Restated 2018*
	£	£
Interest income		
Loans and advances to customers	1,118,856	600,991
Commission expense	(53,469)	(31,946)
Arrangement fees	49,136	27,850
	<u>1,114,523</u>	<u>596,895</u>
Interest expense		
Payable to parent undertaking on intra-group loans	(312,603)	(154,475)
	<u>(312,603)</u>	<u>(154,475)</u>
Net interest income	<u>801,920</u>	<u>442,420</u>

*The assets held under operating leases have been restated in FY2018 due to a reclassification of operating leases and finance leases, see note 20 for further information.

7. Non-interest income

	2019	2018
	£	£
Fees & commission income		
Administration fees	43,148	36,691
Settlement fees	23,390	3,979
	<u>66,538</u>	<u>40,670</u>
Fees & commission expense		
Other fee expense	(974)	(797)
	<u>(974)</u>	<u>(797)</u>
Other income	<u>77,208</u>	<u>20,291</u>
	<u>77,208</u>	<u>20,291</u>
Non-interest income	<u>142,772</u>	<u>60,164</u>

8. Administrative expenses

	2019	2018
	£	£
Depreciation of property, plant and equipment		
Amortisation of intangible assets	137,735	137,735
Depreciation of property, plant & equipment	3,772	5,073
	<u>141,507</u>	<u>142,808</u>
Operating lease payments		
Lease payments for rental of vehicles	71,656	77,980
	<u>71,656</u>	<u>77,980</u>
Staff Costs		
Wages and salaries	1,706,522	1,883,133
Social security costs	223,955	295,354
Other pension costs	46,681	44,814
	<u>1,977,158</u>	<u>2,223,301</u>
Other administrative expenses		
Marketing costs	192,939	233,169
Head office expenses	116,089	218,395
Legal, regulatory and professional fees	73,992	97,032
Information technology costs	165,409	51,918
Occupancy expenses	18,217	34,072
Other expenses	213,647	91,185
	<u>780,293</u>	<u>725,771</u>
Total administrative expenses	<u>2,970,614</u>	<u>3,169,860</u>

	2019	2018
	No	No
The monthly average number of employees (including executive directors) was:		
Management	5	7
Other	11	10
	<u>16</u>	<u>17</u>

9. Directors' remuneration and transactions

	2019	2018
	£	£
Directors' remuneration		
Emoluments	570,701	629,884
Company contributions to money purchase pension schemes	30	-
	<u>570,731</u>	<u>629,884</u>
The number of directors who:		
Are members of a money purchase pension scheme	1	-
	<u>1</u>	<u>-</u>
Remuneration of the highest paid director:		
Emoluments	356,415	401,480
	<u>356,415</u>	<u>401,480</u>

10. Tax

	2019 £	2018 £
The tax credit comprises:		
Tax credited to the income statement		
Current tax:		
UK Corporation tax	(364,352)	(465,581)
Adjustments in respect of previous years	(42,104)	35,796
	(406,456)	(429,785)
Deferred tax:		
Deferred tax for the current year	(7,768)	(40,016)
Adjustments in respect of previous years	35,644	(28,341)
	27,876	(68,357)
Total tax credit	(378,580)	(498,142)
Tax on items not (credited)/charged to the income statement:		
Current tax relating to:		
Share-based transactions tax allowance in excess of expense recognised	(14)	(847)
Deferred tax relating to:		
Share-based transactions tax allowance in excess of expense recognised	366	(140)
Reconciliation to tax credit		
UK tax for the year at 19% (2018: 19%) on loss before taxation	(383,896)	(513,182)
Disallowable items and other permanent differences	10,634	3,420
Deferred tax impact of reduced UK corporation tax rate	1,142	4,165
Prior year tax provision	(6,460)	7,455
	(378,580)	(498,142)

Movements in deferred tax assets and liabilities were as follows:

	Note	Capital allowances £	Other £	Total £
At 1 August 2017		(49,135)	6,206	(42,929)
Credit to the income statement		36,649	31,708	68,357
Credit to equity		-	140	140
At 31 July 2018		(12,486)	38,054	25,568
IFRS9 transitional adjustment	19	-	16,248	16,248
Restated balance at 01 Aug 2018		(12,486)	54,302	41,816
Credit/(charge) to the income statement		11,134	(39,010)	(27,876)
Charge to equity		-	(366)	(366)
At 31 July 2019		(1,352)	14,926	13,574

11. Intangible assets

	Computer software £
Cost	
At 1 August 2017	688,677
Additions	-
Transfers	-
Disposals	-
At 31 July 2018	688,677
Additions	-
Transfers	-
Disposals	-
At 31 July 2019	688,677
Accumulated amortisation	
At 1 August 2017	(74,601)
Charge for the year	(137,735)
Impairment losses	-
At 31 July 2018	(212,336)
Charge for the year	(137,735)
Impairment losses	-
At 31 July 2019	(350,071)
Net book value	
At 31 July 2018	476,341
At 31 July 2019	338,606

12. Tangible assets

	Computer equipment £	Restated assets held under operating leases* £	Total £
Cost			
At 1 August 2017	15,225	1,723,312	1,738,537
Additions	-	3,217,315	3,217,315
Disposals	-	-	-
At 31 July 2018	15,225	4,940,627	4,955,852
Additions	-	2,720,686	2,720,686
Disposals	-	(67,381)	(67,381)
At 31 July 2019	15,225	7,593,932	7,609,157
Accumulated depreciation			
At 31 July 2017	(6,351)	(150,183)	(156,534)
Charge for the year	(5,075)	(926,558)	(931,633)
At 31 July 2018	(11,426)	(1,076,741)	(1,088,167)
Charge for the year	(3,772)	(1,750,665)	(1,754,437)
Depreciation on disposal	-	55,256	55,256
At 31 July 2019	(15,198)	(2,772,150)	(2,787,348)
Net book value			
At 31 July 2018	3,799	3,863,886	3,867,685
At 31 July 2019	27	4,821,782	4,821,809

*The assets held under operating leases have been restated in FY2018 due to a reclassification of operating leases and finance leases, see note 20 for further information.

13. Debtors

a) Breakdown of debtor balances

	2019	Restated 2018*
	£	£
Amounts falling due within one year:		
Finance receivables	6,364,695	4,578,713
Trade debtors	83,082	69,251
Corporation tax	235,743	148,702
Other taxation and social security	219,026	99,521
Prepayments	6,899	84,967
Other debtors	149,614	15,874
	<u>7,059,059</u>	<u>4,997,028</u>
Amounts falling due after more than one year:		
Finance receivables	8,153,480	7,603,045
	<u>8,153,480</u>	<u>7,603,045</u>
Total debtors	<u>15,212,539</u>	<u>12,600,073</u>

Included in finance receivables above are the following amounts:

	2019	2018
	£	£
Finance receivables comprise		
Hire purchase agreement receivables	4,994,811	6,479,105
Finance lease receivables	6,187,531	3,562,594
Other loans and advances	3,335,833	2,140,060
	<u>14,518,175</u>	<u>12,181,759</u>

*The assets held under operating leases have been restated in FY2018 due to a reclassification of operating leases and finance leases, see note 20 for further information.

b) Breakdown of debtor balances

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

	2019	Restated 2018*
	£	£
Gross investment in finance lease and hire purchase agreement receivables due:		
Within one year	4,901,138	4,567,052
Between one and five years	7,272,768	6,977,833
After more than five years	-	-
	<u>12,173,906</u>	<u>11,544,885</u>
Unearned finance income	(1,065,507)	(1,195,083)
Present value of minimum lease and hire purchase agreement payments	<u>11,108,399</u>	<u>10,349,802</u>
Of which due:		
Within one year	4,470,294	4,093,986
Between one and five years	6,638,105	6,255,816
After more than five years	-	-
	<u>11,108,399</u>	<u>10,349,802</u>

*The assets held under operating leases have been restated in FY2018 due to a reclassification of operating leases and finance leases, see note 20 for further information.

13. Debtors (continued)**c) Gross loans and advances to customers and impairment allowance by stage**

Gross loans and advances to customers (finance receivables) by stage and the corresponding impairment provisions and provision coverage ratios are set out below:

	Stage 2			Total		Total
	Less than 30 days past due	Greater than or equal to 30 days past due				
At 31 July 2019	Stage 1				Stage 3	
	£	£	£	£	£	£
Gross loans and advances to customers	14,336,406	185,484	78,642	264,126	214,676	14,815,208
Impairment provisions	69,151	9,274	3,932	13,206	214,676	297,033
Net	14,267,255	176,210	74,710	250,920	-0	14,518,175
Provision coverage ratio	0.5%	5%	5%	5%	100%	2%

	Stage 2			Total		Total
	Less than 30 days past due	Greater than or equal to 30 days past due				
At 1 August 2018	Stage 1				Stage 3	
	£	£	£	£	£	£
Gross loans and advances to customers	12,149,338	-	-	-	249,047	12,398,385
Impairment provisions	61,319	-	-	-	249,047	310,366
Net	12,088,019	-	-	-	0	12,088,019
Provision coverage ratio	0.5%	0%	0%	0%	100%	3%

13. Debtors (continued)

d) Reconciliation of the opening and closing impairment allowance and gross loans and advances to customers

Reconciliation of impairment allowance for loans and advances to customers

	Note	Stage 1 £	Stage 2 £	Stage 3 £	Total £
Impairment provisions on loans and advances to customers					
At 31 July 2018					216,627
IFRS 9 transition	19				93,739
At 1 August 2018		61,319	-	249,047	310,366
New financial assets originated		50,182	-	-	50,182
Transfers to Stage 1		-	-	-	-
Transfers to Stage 2		(2,015)	13,206	-	11,191
Transfers to Stage 3		(1,496)	-	245,722	244,226
Net remeasurement of ECL arising from transfer between stages and subsequent repayments		(3,511)	13,206	245,722	255,417
Final repayments and repayments while stage remained unchanged		(38,840)	-	(4,175)	(43,014)
Changes to model methodologies		-	-	-	-
Charge to the income statement		7,832	13,206	241,547	262,585
Write offs		-	-	(275,918)	(275,918)
At 31 July 2019		69,150.80	13,206	214,676	297,033

Reconciliation of impairment charge to the income statement

	2019 £
Impairment losses relating to loans and advances to customers	
Charge to income statement arising from movement in impairment provisions	262,584
Amounts written off directly to the income statement, net of recoveries and other costs	18,971
Impairment losses relating to other financial assets	-
Impairment losses on financial assets	281,555

Reconciliation of gross loans and advances to customers

	Stage 1 £	Stage 2 £	Stage 3 £	Total £
Gross loans and advances to customers				
At 1 August 2018	12,149,338	-	249,047	12,398,385
New financial assets originated and further lending	10,665,187	-	-	10,665,187
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(403,030)	264,127	-	(138,903)
Transfers to Stage 3	(299,107)	-	238,138	(60,969)
Net transfers between stages and subsequent repayments	(702,137)	264,127	238,138	(199,872)
Final repayments and repayments while stage remained unchanged	(7,775,983)	-	3,410	(7,772,573)
Changes to model methodologies	-	-	-	-
Write offs	-	-	(275,918)	(275,918)
At 31 July 2019	14,336,405	264,127	214,677	14,815,208

14. Inventories

	2019	2018
	£	£
New goods for resale	20,000	24,998
	<u>20,000</u>	<u>24,998</u>

15. Creditors

	2019	2018
	£	£
Amounts falling due within one year:		
Amounts owed to parent undertakings	14,134,218	9,644,957
Accruals and deferred income	646,246	604,421
Other taxation and social security	67,928	58,327
Trade creditors	63,890	570,230
	<u>14,912,282</u>	<u>10,877,935</u>
Amounts falling due after more than one year:		
Amounts owed to parent undertakings	6,920,500	5,826,000
	<u>6,920,500</u>	<u>5,826,000</u>
Total creditors	<u>21,832,782</u>	<u>16,703,935</u>

16. Retirement benefit schemes**Defined contribution schemes**

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The total cost charged to income of £46,681 (2018: £44,814) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans.

17. Financial commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
within one year	33,664	58,597
between two and five years	45,454	42,902
after five years	-	-
	<u>79,118</u>	<u>101,499</u>

18. Financial instruments

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 2.

a) Classification

The following tables analyse the Company's assets and liabilities in accordance with the categories of financial instruments in IFRS 9 as at 31 July 2019:

	Amortised cost £	Total £
At 31 July 2019		
Assets		
Cash and cash equivalents	7,215	7,215
Loans and advances to customers	14,518,175	14,518,175
Other financial assets	227,379	227,379
	14,752,769	14,752,769
Liabilities		
Other financial liabilities	361,232	361,232
	361,232	361,232

The following tables analyse the Company's assets and liabilities in accordance with the categories of financial instruments in IAS 39, as at 31 July 2018:

	Loans & receivables (restated)* £	Other financial instruments at amortised cost £	Total (restated) £
As at 31 July 2018			
Assets			
Finance receivables	12,181,759	-	12,181,759
Cash and cash equivalents	10,000	-	10,000
Other debtors	15,874	-	15,874
	12,207,633	-	12,207,633
Liabilities			
Amounts owed to parent undertakings	-	15,470,958	15,470,958
Trade creditors	-	570,230	570,230
	-	16,041,188	16,041,188

*The assets held under operating leases have been restated in FY2018 due to a reclassification of operating leases and finance leases, see note 20 for further information.

18. Financial Instruments (continued)**b) Valuation**

The fair values of the Company's financial assets and liabilities are not materially different from their carrying values. The Company holds no financial instruments that are measured at fair value subsequent to initial recognition.

c) Credit risk

Credit risk is the risk of a reduction in earnings and/or value, as a result of the failure of a counterparty or associated party with whom the Company has contracted to meet its obligations in a timely manner and arises mainly from the lending activities.

The Company's lending activities are generally short-term in nature with low average loan size in order to control concentration risk in the loan book and associated collateral. In addition the Company applies consistent and prudent lending criteria mitigating credit risk. The credit quality of counterparties with whom the Company deposits or whose debt securities are held is monitored within approved limits.

Loans and advances are spread across asset classes, short-term and with a low average loan size.

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 financial instruments at 31 July 2019.

	2019	Restated 2018*
	£	£
On balance sheet		
Finance receivables	14,518,175	12,181,759
Cash and cash equivalents	7,215	10,000
Other debtors	227,379	15,874
Total maximum exposure to credit risk	14,752,769	12,207,633

There was no off balance sheet exposure as at 31 July 2019.

*The assets held under operating leases have been restated in FY2018 due to a reclassification of operating leases and finance leases, see note 20 for further information.

Credit risk reporting:

The following table sets out loans and advances to customers and trade receivables by the Company's internal credit risk grading:

	Stage 1	Stage 2	Stage 3	Total
	£	£	£	£
As at 31 July 2019				
Loans and advances to customers				
High risk	-	-	185,223	185,223
Medium risk	202,756	264,127	29,453	496,336
Low risk	13,836,615	-	-	13,836,615
Ungraded	-	-	-	-
Trade receivables				
High risk	-	-	-	-
Medium risk	-	-	-	-
Low risk	232,696	-	-	232,696
Ungraded	-	-	-	-

Notes to the Financial Statements (continued)
for the year ended 31 July 2019

18. Financial Instruments (continued)

c) Credit risk (continued)

The following disclosures and tables analyse the Company's loans and advances to customers in accordance with the categories of neither past due nor impaired, past due but not impaired and impaired per IAS 39, as at 31 July 2018:

i) Neither past due nor impaired

These financial assets reflect the application of consistent and conservative lending criteria on inception and the quality and level of security held. The contractual repayments are monitored to ensure that classification as neither past due nor impaired remains appropriate.

The following table shows the ageing of financial assets split by credit assessment method which are neither past due nor impaired.

	Within one month	Between one and three months	Between three months and one year	Over one year	Total
	£	£	£	£	£
Loans and advances to customers (restated)*					
At 31 July 2018					
Individually assessed	1,062,285	657,163	2,746,697	7,229,176	11,695,321
Total	1,062,285	657,163	2,746,697	7,229,176	11,695,321

*The assets held under operating leases have been restated in FY2018 due to a reclassification of operating leases and finance leases, see note 20 for further information.

ii) Past due but not impaired

Loans and advances to customers are classified as past due but not impaired when the customer has failed to make a payment when contractually due but there is no evidence of impairment. This includes loans which are individually assessed for impairment but where the value of security is sufficient to meet the required repayments. This also includes loans to customers which are past due for technical reasons such as delays in payment processing or rescheduling of payment terms.

	Within one month	Between one and three months	Between three months and one year	Over one year	Total
	£	£	£	£	£
At 31 July 2018					
Individually assessed	449,889	-	-	-	449,889
Total	449,889	-	-	-	449,889

18. Financial Instruments (continued)**c) Credit risk (continued)****iii) Impaired**

The factors considered in determining whether assets are impaired are outlined in the accounting policies in note 1(e). Impaired loans and advances to customers are analysed according to whether the impairment provisions are individually assessed.

Individually assessed provisions are determined on a case by case basis, taking into account the financial condition of the customer and an estimate of potential recovery from the realisation of security.

The gross impaired loans are quoted without taking account of any collateral or security held, which could reduce the potential loss. Although the coverage ratio has increased year-on-year to 85%, the application of conservative loan-to-value ratios on inception and the emphasis on the quality of the security provided are reflected in the low levels of impaired loans.

	Gross impaired loans	Provisions	Net impaired loans
	£	£	£
At 31 July 2018			
Individually assessed	249,047	(212,498)	36,549
Total	249,047	(212,498)	36,549

d) Market risk

Market risk is the risk that a change in the value of an underlying market variable, such as interest or foreign exchange rates, will give rise to an adverse movement in the value of the Company's assets. The Company has no exposure to foreign exchange risk.

i) Interest rate risk

The Company's exposure to interest rate fluctuations relates primarily to the returns from its net loan book and funding. The Company's policy is to match repricing characteristics of assets and liabilities naturally where possible or by using interest rate swaps where necessary to secure the margin on its loans and advances to customers.

The sensitivities below are based upon reasonably possible changes in interest rate scenarios, including parallel shifts in the yield curve. At 31 July 2019, changes in interest rates compared to actual rates would increase/(decrease) the Company's annual net interest income and equity by the following amounts:

	2019 £	2018 £
+1% increase in interest rates	(2,907)	(19,616)
- 1% decrease in interest rates	2,907	19,616

Notes to the Financial Statements (continued)
for the year ended 31 July 2019

18. Financial Instruments (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 Company has a prudent liquidity position with total available funding at 31 July 2019 of £21,054,718 (2018: £15,470,957). The Company measures liquidity risk with a variety of measures including regular stress testing and cash flow monitoring, and reporting to both the Company and divisional boards.

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 less than six months	In more than six months but less than one year	In more than one year but less than five years	In more than five years	Total
	£	£	£	£	£	£	£
As at 31 July 2019							
Liabilities							
Amounts owed to parent undertakings	734,218	6,993,750	2,093,750	4,312,500	6,920,500	-	21,054,718
Trade creditors	-	63,890	-	-	-	-	63,890
	734,218	7,057,640	2,093,750	4,312,500	6,920,500	-	21,118,608

	On demand	In less than three months	In more than three months but less than six months	In more than six months but less than one year	In more than one year but less than five years	In more than five years	Total
	£	£	£	£	£	£	£
As at 31 July 2018							
Liabilities							
Amounts owed to parent undertakings	2,019,957	3,531,250	1,031,250	3,062,500	5,826,000	-	15,470,957
Trade creditors	-	570,230	-	-	-	-	570,230
	2,019,957	4,101,480	1,031,250	3,062,500	5,826,000	-	16,041,187

19. Implementation of IFRS 9

The Company has adopted IFRS 9 Financial Instruments with effect from 1 August 2018. In accordance with the requirements of IFRS 9, comparative information has not been restated and transitional adjustments have been accounted for through retained earnings at 1 August 2018, the date of initial application.

At 1 August 2018, retained earnings decreased by £77,491 reflecting an increase in impairment provisions of £ 93,739 partly offset by an increase in deferred tax assets of £16,248. All of the increase in impairment provisions relate to loans and advances to customers.

This increase in impairment provisions principally reflects the additional expected credit loss on performing and underperforming loans, as well as a broader definition of default compared to IAS 39 and the addition of macroeconomic assumptions.

19. Implementation of IFRS 9 (continued)

The following table sets out the impact of IFRS 9 on the Company balance sheet at 1 August 2018. Only the financial assets and liabilities which are impacted by IFRS 9 are listed below, all the other assets and liabilities remain the same from the year ended 31 July 2018.

	Classification and measurement ¹		IAS 39 Carrying Amount (restated)*	IFRS 9 Transitional adjustment	IFRS 9 Carrying amount
	IAS 39	IFRS 9	31-Jul-18		01-Aug-18
			£	£	£
Assets					
Loans and advances to customers	LAR	AC	12,181,759	(93,739)	12,088,020
Deferred tax assets			25,568	16,248	41,816
			12,207,327	(77,491)	12,129,836
Equity					
Total equity			300,729	(77,491)	223,238
			300,729	(77,491)	223,238

¹Classification and measurement key: Loans and receivables ("LAR") under IAS 39, and Amortised Cost ("AC") under IFRS 9

*The assets held under operating leases have been restated in FY2018 due to a reclassification of operating leases and finance leases, see note 20 for further information.

20. Restatement of 2018 comparatives

The classification of operating leases and finance leases was reviewed in the current financial year. This resulted in the reclassification of two finance leases which should have been classified as operating leases as at 31 July 2018. The effect on the financial statements for 2018 is summarised below:

	Note	Effect on 2018 £
Decrease in debtors - falling due within one year	13	(47,458)
Decrease in debtors - falling due after one year	13	(75,765)
Increase in tangible assets	12	123,223
Impact on net assets		-
Increase in operating lease income		61,389
Increase in operating lease depreciation	12	(54,344)
Decrease in interest income	6	(7,045)
Impact on operating income		-

21. Capital management

The Company's Capital Management policy is governed by its ultimate parent, CBG (the Group).

The Group's policy is to be well capitalised and its approach to capital management is driven by strategic and organisational requirements, while also taking into account the regulatory and commercial environments in which it operates. Information on this policy can be found in the group's 2019 Annual Report and on the Group's website www.closebrothers.com/investor-relations/investor-information/results-reports-and-presentations.

The Group maintains capital adequacy ratios above minimum regulatory requirements. The Group's individual regulated entities complied with all of the externally imposed capital requirements to which they are subject for the years ended 31 July 2019 and 2018.

22. Capital

Allotted, called up and fully-paid capital comprise of 1,000,000 ordinary shares of £1 each. The Company has one class of ordinary shares which carry no right to fixed income. In the event of liquidation, assets would be distributed among the holders of ordinary shares in proportion to the amounts paid up on the ordinary shares, after any distributions to holders of preference shares.

Allotted, called up and fully-paid preference share capital comprise of 5,125,000 preference shares of £1 each, 1,850,000 issued on the 25 July 2017, 1,325,000 issued on 28 July 2016 and 1,950,000 on 26 July 2018 for cash consideration. If a dividend or other distribution is made or paid by the Company, then the preference shares shall have the right to a fixed cumulative preferential dividend at a rate of 6% per annum, compounding yearly. These shares carry no voting rights and are redeemable at the Company's option at any time.

23. Share based awards

Share-based awards have been granted under the following Close Brothers Group plc share schemes: Deferred Share Awards ("DSA"), Save As You Earn ("SAYE"), Long Term Incentive Plan ("LTIP") and Share Matching Plan ("SMP").

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

	2019	2018
DSA	1,527	1,494

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

	Options outstanding 2019		Options outstanding 2018	
	Number outstanding	Weighted average remaining contractual life Years	Number outstanding	Weighted average remaining contractual life Years
Exercise price range:				
SAYE				
Between £11 and £12	1,845	1.7	2,160	2.1
Between £12 and £13	70	2.8	583	2.3
DSA				
Nil	-	-	167	0.6
Total	1,915	1.7	2,910	2.0

24. Significant events

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

25. Related party transactions

The Company has adopted the disclosure exemptions in FRS101. Therefore, transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member, are not disclosed in the financial statements.

26. 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 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.