



**Close Bank (Isle of Man) Limited**

**Report and Financial Statements**

**31 July 2009**



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OFFICERS AND PROFESSIONAL ADVISERS

**DIRECTORS**

A R Brindley  
P A O'Shea  
A Henton  
L Steyn  
J L Quirke *(resigned 16<sup>th</sup> July 2009)*  
R C Gell, Non Executive  
L J Corlett

**SECRETARY**

K F Black *(appointed 30<sup>th</sup> September 2008)*  
J L Quirke *(resigned 30<sup>th</sup> September 2008)*

**REGISTERED OFFICE**

St George's Court  
Upper Church Street  
Douglas  
Isle of Man

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Douglas  
Isle of Man

*Close Bank (Isle of Man) Limited is a banking and financial services company which aims to provide its clients with individual attention from experienced professionals who take the time necessary to understand their clients' objectives and to provide an imaginative approach to achieving them.*



## BUSINESS REVIEW

The trading year for 2008/9 has been the most turbulent in recent memory, taking account of the impacts of the worldwide “credit crunch” and locally the collapse of Kaupthing Singer & Friedlander.

Despite the fact that we have worked hard to highlight to existing and potential clients the safe, secure and conservative nature of our banking business, we saw a material net outflow of deposits over the period. In recent months, the position has regularised but we finished the financial year with credit balances of £217 million compared to £299 million at the end of the previous year.

Our net interest income was strong during the first half of the financial year, and we benefited from the fact we were holding financial instruments at premium rates of interest whereas the rates payable to clients had declined linked to the actions of the UK Bank of England. In the second half, those instruments matured and were replaced at much lower rates. The impact was to reduce net interest income by £0.8 million to £2.9 million. We took steps to reduce and manage carefully our costs which finished well within annual budget. Overall our profit before tax and exceptional items was struck at £1.5 million compared to £2.5 million for 2007/8.

Details of our liability to the Isle of Man Depositors’ Compensation Scheme have been identified and a net charge of some £0.9 million has been made which reduces our final profit before tax to £0.6m. Against many other financial businesses, we remain pleased that we have been able to fully account for this exceptional liability and still record a trading profit.

Lending activity has continued during the year with little net change in the outstanding balances. Facilities remain generally short term in nature, the majority being repayable “on demand” and hence balances will vary during the course of the year. We remain keen to develop our lending portfolio, particularly providing liquidity funding to existing clients who already maintain asset portfolios within the Close Wealth Management Group. Facilities are normally fully secured and continue to be funded from available shareholder funds. There were no lending provisions made.

Despite the difficult conditions, we have continued to invest time to develop our greatest asset: our staff. We have undertaken training and personal development for all which has led to greater efficiency as well as enhancing skill capabilities. The team have worked hard throughout the year, in difficult and uncertain conditions, to continue to deliver high standards of service to all our clients since we all understand that this is our key differentiating factor.

**P A O’SHEA**  
**MANAGING DIRECTOR**



## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2009.

### 1. Activities

The Company is principally engaged in business as private bankers and offers a wide range of services including : -

- (i) the provision of multi-currency deposit accounts
- (ii) the provision of foreign exchange and transmission services
- (iii) the granting of short term loans and other commitments
- (iv) the provision of debit cards
- (v) treasury management services

### 2. Review of developments

The Bank continues to refine and develop its range of services, with the objective of providing a first class service targeted on the needs of its customers.

### 3. Results and dividend

	<b>31 July 2009</b>	<b>31 July 2008</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation	630,695	2,481,013
Profit on ordinary activities after taxation	560,061	2,270,470

There was no interim dividend paid to the immediate parent company during the financial year (2008 - £5,000,000). The directors do not recommend payment of a final dividend (2008 - £ nil).

### 4. Going concern

The Company's business activities are set out above. The principal risks and uncertainties the Company currently faces are described in note 24 to the financial statements and this note includes the Company's objectives, policies and procedures for managing those risks.

The Company's performance has been resilient in the difficult trading conditions currently being experienced and in previous downturns. The directors further believe the Company has a sound funding and liquidity position and adequate capital resources. As a consequence, the directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries with management and review of cash flow forecasts, 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 report and financial statements.

### 5. Directors

The present membership of the Board and all changes during the year and to date are set out on page 2.

None of the directors has had any direct beneficial interest in the share capital of the Company during the year and to date.



DIRECTORS' REPORT - Continued

**6. Auditors**

Messrs Deloitte & Touche have indicated their willingness to continue in office in accordance with section 12(2) of the Companies Act 1982 and a resolution to re-appoint them as Auditors to the Company will be proposed at the forthcoming Annual General Meeting of the shareholders.

On behalf of the Board 15 September 2009

**Director P A O'Shea**

**Director A Henton**



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Isle of Man Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to :-

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for the systems of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOSE BANK (ISLE OF MAN) LIMITED**

We have audited the financial statements of Close Bank (Isle of Man) Limited for the year ended 31 July 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant Isle of Man legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts 1931 to 2004. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions with the Company is not disclosed.

We read the Directors' Report and other information contained in the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 July 2009 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004.

*Deloitte & Touche*  
*Chartered Accountants*  
*Douglas, Isle of Man*

17 September 2009



PROFIT AND LOSS ACCOUNT  
for the year ended 31 July 2009

	Note	31 July 2009 £	31 July 2008 £
Interest receivable	1c, 3	7,742,353	16,906,284
Interest payable	1c, 3	<u>(4,869,772)</u>	<u>(13,255,979)</u>
Net interest income		<u>2,872,581</u>	<u>3,650,305</u>
Fees and commissions receivable	1c, 27	314,405	820,440
Fees and commissions payable	1c	(167,441)	(62,421)
Dealing profits		<u>776,557</u>	<u>720,480</u>
Total other income		<u>923,521</u>	<u>1,478,499</u>
Operating income		<u>3,796,102</u>	<u>5,128,804</u>
Administration expenses	2	2,171,637	2,537,571
Depreciation	11	<u>87,585</u>	<u>110,220</u>
Total operating expenses		<u>2,259,222</u>	<u>2,647,791</u>
<b>Profit on ordinary activities before exceptional items</b>		1,536,880	2,481,013
Exceptional items:			
Isle of Man Depositors' Compensation Scheme	18	<u>906,185</u>	<u>-</u>
<b>Profit on ordinary activities before taxation</b>	4	630,695	2,481,013
Taxation on profit on ordinary activities	5	<u>(70,634)</u>	<u>(210,543)</u>
Profit on ordinary activities after taxation		<u>560,061</u>	<u>2,270,470</u>
Retained reserves brought forward		5,703,183	8,432,713
Dividends paid		-	(5,000,000)
<b>Retained reserves carried forward</b>		<u>6,263,244</u>	<u>5,703,183</u>

There are no recognised gains or losses for the current year and the prior year other than those shown above.

The notes on pages 10 to 27 form part of these financial statements.

The directors consider that the Company's activities are continuing.



BALANCE SHEET

31 July 2009

	Note	2009 £	2008 £
<b>Assets</b>			
Loans and advances to banks	7	136,200,989	206,568,920
Debt securities - certificates of deposit	9	95,079,772	105,000,000
Loans and advances to customers	8	6,266,849	6,658,855
Equity shares - investments	10	2	2
Tangible fixed assets	11	239,775	307,711
Other assets	12	9,348	42,635
Prepayments and accrued Income	13	2,048,575	1,206,696
Deferred tax asset	19	60,930	-
<b>Total assets</b>		<b>239,906,240</b>	<b>319,784,819</b>
<b>Liabilities</b>			
Deposits by banks	14	5,563,494	600,000
Customer accounts	15	217,104,241	298,954,907
Overdrawn balances with non group entities		-	5,303,388
Amounts owed to group entities		2,718,973	1,957,971
Other liabilities	16	174,881	289,344
Accruals and deferred Income	17	2,279,239	1,752,333
Provisions for liabilities and charges :-			
Depositors' Compensation Scheme	18	666,622	-
Deferred tax liability	19	-	12,372
Income tax	20	135,546	211,321
<b>Total liabilities</b>		<b>228,642,996</b>	<b>309,081,636</b>
<b>Shareholders' funds</b>			
Called up share capital	21	5,000,000	5,000,000
Profit and loss account		6,263,244	5,703,183
Total equity shareholders' funds	25	11,263,244	10,703,183
<b>Total liabilities and shareholders' funds</b>		<b>239,906,240</b>	<b>319,784,819</b>

The notes on pages 10 to 27 form part of these financial statements.

These financial statements were approved by the Board of Directors on 15 September 2009.

Director P A O'Shea

Director A Henton



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

**1. Accounting policies**

The financial statements have been prepared under the historical cost convention as modified for the fair value of derivatives and in accordance with the Statements of Recommended Practice issued by the British Bankers Association, the Statement of Recommended Practice issued by the Isle of Man Society of Chartered Accountants and the Isle of Man Association of Chartered Certified Accountants, applicable Isle of Man law and United Kingdom Accounting Standards. The particular accounting policies adopted by the Company are described below.

**(a) Going concern**

The Company's business activities are set out in the Directors Report on page 4. The principal risks and uncertainties the Company currently faces are described in note 24 to the financial statements and this note includes the Company's objectives, policies and procedures for managing those risks.

The Company's performance has been resilient in the difficult trading conditions currently being experienced and in previous downturns. The directors further believe the Company has a sound funding and liquidity position and adequate capital resources. As a consequence, the directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries with management and review of cash flow forecasts, 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 report and financial statements.

**(b) Basis of consolidation**

Under the provisions of Section 4 of the Companies Act 1982 the Company has not prepared consolidated financial statements as in the Directors' opinion it would be of no real value to the members of the Company due to the insignificant amounts involved.

The Company has taken advantage of the exemption available to it under FRS 2, Accounting for Subsidiary Undertakings, paragraph 21(b) not to prepare consolidated financial statements. The Company is a wholly-owned subsidiary undertaking and its immediate parent undertaking is established under the law of a member state of the European Union.

**(c) Income and expenditure**

Income and all expenses are accrued on a day to day basis. Operating lease income and expense is recognised on a straight line basis over the period of the lease. All income and expenditure relates to continuing operations.

**(d) Loans and advances**

Loans and advances are stated net of specific provisions for bad and doubtful debts which are made on the basis of regular review by Management.

**(e) Tangible fixed assets**

Tangible fixed assets are initially recorded at cost. Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows :-

Office equipment	20% - 33 1/3% per annum
Leasehold improvements	Lease term of 21 years



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

**1. Accounting policies (continued)**

**(f) Foreign currencies**

All foreign currency balances have been translated at the rates ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account. Forward foreign currency contracts are valued at the year end market rates applicable to their respective maturities and the resulting gains or losses are reflected in the profit and loss account for the year.

**(g) Taxation**

Provision has been made for Isle of Man taxation at the rate of 10% on eligible taxable profits.

**(h) Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**(i) Debt securities**

Debt securities comprise certificates of deposit which are held for liquidity purposes and are normally held to maturity. They are unlisted and due to mature within one year and are valued at amortised cost.

**(j) Pensions**

Pension costs relating to the money purchase scheme are charged against profit as monthly contributions become payable to the scheme.

**(k) Derivatives**

The Company's foreign currency exposure arises from providing services to customers. The Company's policy is to hedge against these foreign currency exchange risks by engaging in spot and forward currency transactions, where appropriate. These instruments are classified as fair value through profit or loss and are carried on the balance sheet at fair value.

**(l) Bad and doubtful debts**

Specific provisions are made against advances when, in the opinion of the directors, credit risks or economic factors make recovery doubtful. The aggregate provisions which are made during the year (less amounts released and recoveries of bad debts previously written off) are charged against operating profit. If the collection of interest is considered to be doubtful, it is suspended and excluded from the interest income in the profit and loss account. Bad debts are written off in part, or in whole, when a loss has been confirmed.

**(m) Related party transactions**

The Company is included in the consolidated accounts of Close Brothers Group plc and has taken advantage of the exemption available to it under FRS 8, Related Party Transactions, not to disclose certain related party transactions occurring within the group.



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

**1. Accounting policies (continued)**

**(n) Cash flow statement**

The Company is a wholly owned subsidiary of a parent undertaking incorporated in England and Wales. The Company is not therefore required to present a cash flow statement.

**(o) Share-based payments**

Close Brothers Group plc (the "Group"), the ultimate parent undertaking, has for many years operated long term incentive arrangements. The Company has applied FRS20 "Share-based Payment" to all grants of equity instruments under these share based incentive schemes after 7 November 2002.

The expenses for share-based incentive schemes is measured by reference to the fair value of the shares or share options granted on the date of grant. Such fair values are determined using option pricing models which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the group's share price over the life of the option/award and other relevant factors. The fair value is expensed in the income statement on a straight line basis over the vesting period. Such fair values are determined at group level and an inter-company charge is made to the Company on account of its share of the group share-based payment expense.

**2. Administrative expenses**

	<b>31 July 2009</b>	<b>31 July 2008</b>
	£	£
Staff costs:		
Wages and salaries	2,521,628	2,951,250
Social security costs	245,415	276,806
Other pension costs	232,023	201,099
Share based awards	18,505	13,639
Redundancy costs	85,010	94,239
Other administration expenses	971,725	1,100,913
Total expenditure	<u>4,074,306</u>	<u>4,637,946</u>
Recharged to fellow subsidiaries	(1,902,669)	(2,100,375)
Administrative expenses	<u>2,171,637</u>	<u>2,537,571</u>

Total expenditure is allocated to companies in the Close group based on utilisation of services by these entities.

**3. Related parties**

The following is a summary of income and expenses in respect of transactions with other group companies. All intra-group loans are transacted at market rates.

	<b>31 July 2009</b>	<b>31 July 2008</b>
	£	£
Interest receivable	3,782,256	5,953,458
Interest payable	102,067	156,148
Commission paid	105,176	-



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

**4. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is arrived at after charging: -

	<b>31 July 2009</b>	<b>31 July 2008</b>
	£	£
Audit fees	25,400	22,860
Depreciation	87,585	110,220
Directors' fees	10,000	9,000
Operating lease rentals on property	203,275	205,100

Substantially all income, profits and net assets are attributable to activities which are located in the Isle of Man and relate to private banking services.

**5. Taxation on profit on ordinary activities**

The Company has made full provision for taxation, based upon taxation rates applicable to the Company, on its current year taxable profits.

	<b>31 July 2009</b>	<b>31 July 2008</b>
	£	£
Isle of Man income tax	135,546	211,321
Under provision in prior years	8,390	2,841
Deferred taxation (note 19)	<u>(73,302)</u>	<u>(3,619)</u>
	<b><u>70,634</u></b>	<b><u>210,543</u></b>

The standard rate of income tax for the year is 10% for profits deriving from banking activities and 0% for other profits (2008 : 10% / 0%). The current tax charge differs from the standard rate of income tax for the reasons set out in the following reconciliation:

	<b>31 July 2009</b>	<b>31 July 2008</b>
	£	£
Profit on ordinary activities before taxation	<u>630,695</u>	<u>2,481,013</u>
Tax on profit on ordinary activities at standard rate of 10% (2008 : 10%)	63,070	248,101
Factors affecting charge:		
Net income subject to tax at 0%	(5,592)	(39,861)
Capital allowances less than depreciation	10,373	3,081
Short term timing differences	<u>67,695</u>	<u>-</u>
	<b><u>135,546</u></b>	<b><u>211,321</u></b>

**6. Pensions**

The Company operates a non-contributory money-purchase pension scheme. The net pension cost charge for the year including related life assurance costs amounted to £232,023 (2008 : £201,099). £142,064 (2008 : £114,147) of this amount has been recharged to Close Trustees (Isle of Man) Limited ("CTIOM") as a number of employees of the Company work solely on CTIOM business. This amount, together with other salary costs, is charged to CTIOM via a management recharge.



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

**7. Loans and advances to banks**

As at 31 July 2009 the Company's liquid funds were deployed as follows: -

	Claims on group banks £	Claims on other banks £	2009 £	2008 £
Repayable:				
Between sight and 8 days	38,803,767	24,047,263	62,851,030	145,397,906
Between 8 days and 1 month	20,203,179	3,268,818	23,471,997	39,951,252
Between 1 month and 3 months	18,329,148	-	18,329,148	12,619,762
Between 3 months and 6 months	13,455,213	746,440	14,201,653	2,400,000
Between 6 months and 1 year	6,679,722	-	6,679,722	1,200,000
Between 1 year and 3 years	10,667,439	-	10,667,439	5,000,000
	<b>108,138,468</b>	<b>28,062,521</b>	<b>136,200,989</b>	<b>206,568,920</b>

Netting against claims on other banks is a credit amount of £461,468 (2008 : credit amount £366,711) which relates to an internal account from which cheques are drawn. The balance on this account represents un-presented cheques at the year end.

**8. Loans and advances to customers**

Included in loans and advances to customers is an amount of £83,665 (2008 : £69,484) representing the aggregate of all sums advanced to staff as at 31 July 2009. Of this sum, £ nil (2008 : £ nil) had been advanced to directors in the normal course of business as at 31 July 2009.

At 31 July 2009 there was one exposure of £2,098,674 for which the authorised limit of £2,100,000 exceeded 10% of the capital base (2008 – one exposure of £1,318,056).

	31 July 2009 £	31 July 2008 £
Repayable in less than one year:		
Secured	6,176,257	6,527,238
Unsecured	90,592	131,617
	<b>6,266,849</b>	<b>6,658,855</b>

**9. Debt securities – certificates of deposit**

	2009 £	2008 £
Less than 1 month	30,000,000	50,000,000
1 month to less than 3 months	60,079,772	55,000,000
3 months to less than 1 year	5,000,000	-
	<b>95,079,772</b>	<b>105,000,000</b>

The fair value of certificates of deposit is not significantly different to their cost.

**10. Equity shares - investments**



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

The Company owns the whole of the issued ordinary share capital of the following Company which is unlisted and registered in the Isle of Man.

	2009 £	2008 £
<b>Ordinary Shares of £1 each:</b>		
Leysend Nominees Limited	2	2

Leysend Nominees Limited acts as a nominee company, has net assets of £2 and makes neither a profit nor a loss.

**11. Tangible fixed assets**

	Leasehold improvements £	Office equipment £	Total £
<b>Cost or valuation</b>			
At 1 August 2008	239,480	685,977	925,457
Additions	9,749	11,131	20,880
Disposals	-	(168,491)	(168,491)
<b>At 31 July 2009</b>	<b>249,229</b>	<b>528,617</b>	<b>777,846</b>
<b>Depreciation</b>			
At 1 August 2008	76,977	540,769	617,746
Charge for the year	11,557	76,028	87,585
Disposals	-	(167,260)	(167,260)
<b>At 31 July 2009</b>	<b>88,534</b>	<b>449,537</b>	<b>538,071</b>
<b>Net book value</b>			
<b>At 31 July 2009</b>	<b>160,695</b>	<b>79,080</b>	<b>239,775</b>
At 1 August 2008	162,503	145,208	307,711

**12. Other assets**

	31 July 2009 £	31 July 2008 £
VAT asset	7,163	17,149
Unrealised gain on derivatives	1,649	-
Sundry debtors	536	25,486
	<u>9,348</u>	<u>42,635</u>

**13. Prepayments and accrued income**



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

	<b>31 July 2009</b>	<b>31 July 2008</b>
	<b>£</b>	<b>£</b>
Accrued interest - group counterparties	1,762,840	278,739
Accrued interest - non group counterparties	157,950	775,672
Prepayments	127,785	152,285
	<u>2,048,575</u>	<u>1,206,696</u>

**14. Deposits by banks**

	<b>Group banks</b>	<b>Other banks</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
On demand	-	5,563,494	5,563,494	600,000
	<u>-</u>	<u>5,563,494</u>	<u>5,563,494</u>	<u>600,000</u>

**15. Customer accounts**

Customer accounts include an amount of £5,032,102 (2008 : £3,106,286) held as security for loans and advances, guarantees and similar obligations.

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Repayable:		
Between sight and 8 days	153,427,563	201,840,004
Between 8 days and 1 month	20,923,416	65,066,353
Between 1 month and 3 months	19,152,710	22,958,800
Between 3 months and 6 months	10,456,400	2,446,844
Between 6 months and 1 year	3,361,713	1,642,906
Between 1 year and 3 years	9,782,439	5,000,000
	<u>217,104,241</u>	<u>298,954,907</u>

**16. Other liabilities**

	<b>31 July 2009</b>	<b>31 July 2008</b>
	<b>£</b>	<b>£</b>
VAT liability	-	3,403
Unrealised loss on derivatives	5,892	1,245
Withholding taxes	6,547	25,020
Salary related liabilities	121,672	185,577
Other liabilities	40,770	74,099
	<u>174,881</u>	<u>289,344</u>

**17. Accruals and deferred income**



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

	<b>31 July 2009</b>	<b>31 July 2008</b>
	<b>£</b>	<b>£</b>
Accrued interest - fellow subsidiaries	73,775	10,988
Accrued interest - non group customers	1,315,718	666,612
Accruals	<u>889,746</u>	<u>1,074,733</u>
	<u>2,279,239</u>	<u>1,752,333</u>

**18. Liability under the Isle of Man Depositors' Compensation Scheme**

The Company is required to participate in the Isle of Man Depositors' Compensation Scheme (the "Scheme"), as set out in the Compensation of Depositors Regulations 2008 (as amended).

On 8 October 2008, the Board of Kaupthing Singer and Friedlander (Isle of Man) Limited ("KSF IOM") declared that it was unable to pay its debts. At a hearing in the Isle of Man High Court on 27 May 2009, a winding up order was made placing the company into liquidation.

During the course of the year and pursuant to Regulation 14 (l) (a) of the Scheme, the Scheme Manager (as defined by Regulation 5 (l)) gave the requisite notice to levy an amount from Close Bank (Isle of Man) Limited. The initial levy was £333,378 and was paid prior to the year end. A provision of £666,622 has been made to cover the future estimated cost to Close Bank (Isle of Man) Limited of levies made by the Scheme Manager in coming years. The estimation may differ to the actual costs incurred in respect of the Scheme, but it is based upon the most recent available information. The directors believe that any variation will not be material.

In addition to the liabilities established under the Scheme relating to KSF IOM, Close Bank (Isle of Man) Limited also received notification during the year that a refund would be due from the Depositors' Compensation Scheme of 1991 following the liquidation of Bank of Credit & Commerce International SA. The refund of £93,815 has been netted against the 2009 Scheme expense in the profit and loss account.

**19. Deferred tax**

The actual provision and full potential liability for deferred taxation are in respect of accelerated capital allowances and short term timing differences under the Isle of Man Depositors' Compensation Scheme.

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Deferred tax provision at 1 August	12,372	15,991
Deferred tax charge in profit and loss (note 5)	<u>(73,302)</u>	<u>(3,619)</u>
Deferred tax provision at 31 July	<u>(60,930)</u>	<u>12,372</u>
	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	5,732	12,372
Short term timing differences - Depositors' Compensation Scheme	<u>(66,662)</u>	<u>-</u>
Deferred tax provision at 31 July	<u>(60,930)</u>	<u>12,372</u>

**20. Income tax**



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

	2009 £	2008 £
Income tax payable 1 August 2010	135,546	-
Income tax payable 1 August 2009	-	211,321
	<u>135,546</u>	<u>211,321</u>

**21. Called up share capital**

	2009 £	2008 £
<b>Authorised share capital</b>		
Ordinary equity shares of £1 each	10,000,000	10,000,000
<b>Called up share capital</b>		
5,000,000 shares – fully paid	5,000,000	5,000,000

**22. Other financial commitments**

**a) Operating leases**

Under a 21-year lease for premises, the Company was committed to the following annual lease payments as at 31 July 2009. At the tenant's option, the lease is subject to a break clause on 1 August 2013, subject to 12 months notice.

	31 July 2009 £	31 July 2008 £
<b>Operating leases which expire</b>		
- In over 5 years	234,004	243,504

**b) Capital commitments**

As at 31 July 2009, the Company had neither approved nor committed to any capital expenditure (2008 - £ nil).

**23. Capital management**

Capital is defined as the total of share capital, share premium and retained earnings. Total capital at 31 July 2009 was £11,263,244 (2008 : £10,703,183). Regulatory capital is determined in accordance with the requirements of the regulator, the Isle of Man Financial Supervision Commission (FSC). The Company's objectives when managing capital are: -

- to comply with the capital requirements set by the regulator;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of the business.

**24. Risk management and control of financial instruments**



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

(a) Fair value of financial assets and liabilities

	2009		2008	
	Book Value £	Fair Value £	Book Value £	Fair Value £
Debt securities:				
Certificates of deposit	95,079,772	95,079,857	105,000,000	105,000,230

Certificates of Deposit are normally held to maturity and are purchased for liquidity purposes. The fair values have been obtained from independent, open market sources.

(b) Review of the Company's risk profile

The Company has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The Company's financial instruments (other than derivatives), comprise deposits, money market assets and liabilities, and various other items that arise directly from its operations. The Company also enters into derivatives transactions (exclusively forward foreign currency contracts) on behalf of its customers. The Company does not enter into derivatives transactions for proprietary trading purposes.

The Company is responsible for the management of liquidity, interest rate and foreign exchange risks within guidelines specified by the Group. The Company's risk profile is reviewed monthly by the offshore Asset and Liability Committee ("ALCO"). The Company's maturity analysis of assets and liabilities is monitored daily. Its policy throughout the year has been to ensure liquidity by maintaining at all times sufficient high quality liquid assets to cover all anticipated net cash outflows. The maturity analysis of the assets and liabilities as at 31 July 2009 is disclosed in the respective notes below.

The Company's policy is to maintain interest rate risk at a minimum level, and this is also monitored daily. Management may invest the shareholders' funds in floating rate instruments in response to market conditions.

The table in note 24(g) shows the interest rate sensitivity gap as at 31 July 2009 and 2008. Assets and liabilities are included in the table at the earliest date at which the applicable interest rate can change.

The Company categorises its financial risk into the following categories:

i) Credit risk

This is the largest component of the Bank's regulatory capital charge and currently comprises risk weighted assets of the lending portfolio (£0.5m), Treasury activities (£46m) and other assets (£2.4m). The capital required, as defined by the FSC, for credit risk is currently £5.6m.

ii) Liquidity risk

The Company's position is highly liquid with prudent liquidity management practices such that no economic capital is required. All liabilities are met as they fall due from maturing assets without relying on renewing customer deposits or bank facilities. As a principal element of this, the Company funds its loan portfolio with shareholders funds and unsecured committed facilities.

iii) Interest rate risk

This arises primarily as a result of the mismatch of repricing of assets and liabilities in the banking book. The Company has a long established policy of matching, within specified guidelines, interest rate assets and liabilities associated with its lending activities in order to lock in margins. These positions are monitored monthly by the Board and at group level. Interest rate positions can be taken by the Treasury department. These positions are within conservative limits and are not in place to encourage a trading culture.

Interest rate derivatives, mainly interest rate swaps, are used solely for hedging purposes and mainly to hedge client transactions.



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

**24. Risk management and control of financial instruments (continued)**

**(b) Review of the Company's risk profile (continued)**

iv) Currency risk

The Company's foreign currency exposure arises from providing services to customers. The Company's policy is to hedge against these foreign currency exchange risks by engaging in forward currency transactions, where appropriate.

**Forward exchange contracts**

At the year end the Company had entered into forward exchange contracts to hedge against those currency exchange exposures arising through the provision of foreign currency services to customers.

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Principal amount	1,813,602	-
Risk weighted exposure	6,830	-
Unrealised gain at balance sheet date	4,029	-
Unrealised loss at balance sheet date	2,380	-

The table in note 24(f) shows the Company's exposure to major currencies as at 31 July 2009 and 2008.

v) Other risks (including concentration risk, reputational risk, strategic risk and operational risk).

**(c) Credit risk**

Before taking account of collateral the maximum exposure to credit risk at 31 July was:

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
Loans and advances to customers	6,266,849	6,658,855
Loans and advances to banks	136,200,989	206,568,920
Certificates of deposit	95,079,772	105,000,000
Other receivables	2,057,923	1,249,331
Derivative financial instruments	4,029	-
Undrawn commitments	831,386	1,141,404
Guarantees and indemnities	359,957	1,265,578

Loans and advances to customers are largely secured against portfolios, cash and property, as a result, recovery levels are high. For loans and advances to banks, certificates of deposit and floating rate notes, for which a rating is available, 94% have a Moody's rating of Aaa to Aa3 or P1, and 98% have a Moody's rating of Aaa to A3 or P1. For short term placements of less than 12 months, the short term Moody's rating has been used.

No loans and advances have been impaired or are past due.



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

**24. Risk management and control of financial instruments (continued)**

**(d) Market risk**

The sensitivity on the Company as a result of changes in interest rates is shown below:

	Net interest income increase / (decrease)	
	£	£
<b>At 31 July 2009</b>	Fall	Rise
125 basis point movement on interest rates	82,859	(82,859)
<b>At 31 July 2008</b>	Fall	Rise
125 basis point movement on interest rates	69,355	(69,355)

**(e) Liquidity risk**

The Company closely monitors its liquidity position against the Board's liquidity policy. The policy sets out elements of available and required liquidity through reference to and modelling of net lending commitment, liquidity reserves, deposit growth and the requirement for other payments (e.g. dividends and tax). From this, minimum and target liquidity levels are established. Furthermore, liquidity is also measured in proportion to the total balance sheet and is subject to trigger levels; these determine the appropriate levels of escalation in order to address any actual or forecast shortfalls. The liquidity policy also requires stress testing through modelling and assessment of any emerging and potentially extreme funding conditions.

The Company's contractual undiscounted cash flows associated with financial liabilities were as follows:

	On demand	In not more than 3 months	In more than 3 months but not more than 6 months	In more than 6 months but not more than 1 year	In more than 1 year but not more than 5 years	Total
<b>At 31 July 2009</b>						
Customer deposits	152,189,595	43,595,899	9,280,730	3,420,872	11,332,070	219,819,166
Deposits by Banks	5,563,494	-	-	-	-	5,563,494
Bank loans and overdrafts	-	-	-	-	-	-
Other financial liabilities	1,455,975	-	-	-	-	1,455,975
<b>Total</b>	<b>159,209,064</b>	<b>43,595,899</b>	<b>9,280,730</b>	<b>3,420,872</b>	<b>11,332,070</b>	<b>226,838,635</b>
<b>Off-balance sheet</b>						
Undrawn commitments	831,386	-	-	-	-	831,386
Guarantees	-	-	-	-	359,957	359,957



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

	On demand	In not more than 3 months	In more than 3 months but not more than 6 months	In more than 6 months but not more than 1 year	In more than 1 year but not more than 5 years	Total
<b>At 31 July 2008</b>						
Customer deposits	129,185,203	161,412,961	2,518,021	1,730,078	6,154,388	301,000,651
Deposits by Banks						
Bank loans and overdrafts	5,303,388	-	-	-	-	5,303,388
Other financial liabilities	1,376,681	-	-	-	-	1,376,681
<b>Total</b>	<b>135,865,272</b>	<b>161,412,961</b>	<b>2,518,021</b>	<b>1,730,078</b>	<b>6,154,388</b>	<b>307,680,720</b>
<b>Off-balance sheet</b>						
Undrawn commitments	1,141,404	-	-	-	-	1,141,404
Guarantees	-	360,000	-	-	342,437	702,437

**24. Risk management and control of financial instruments (continued)**

**(e) Liquidity risk (continued)**

The balances in the undiscounted cash flow tables will not agree directly to the balances in the balance sheet as at 31 July 2009 and 2008 as the tables incorporate all cash flows, on an undiscounted basis, relating to both principal and those associated with all future interest payments. Future interest payments have been estimated based on Bank of England base rate as at 31 July 2009.

**(f) Currency Risk**

Since the Company prepares its financial statements in sterling, its balance sheet is affected by movements in the exchange rates between sterling and other currencies. The Company mitigates the effects of currency risk exposures by maintaining a policy of matching all material assets in a particular currency with liabilities in the same currency.



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

At 31 July 2009

	Sterling	US Dollar	Euro	Other	Total
<b>Assets</b>					
Loans and advances to banks	71,375,620	34,841,473	21,808,085	8,175,811	136,200,989
Debt securities - certificates of deposit	80,000,000	15,079,772	-	-	95,079,772
Loans and advances to customers	4,633,257	584,150	1,049,442	-	6,266,849
Other financial assets	1,855,418	42,351	11,226	21,145	1,930,140
Non financial assets	428,490	-	-	-	428,490
<b>Total assets</b>	<b>158,292,785</b>	<b>50,547,746</b>	<b>22,868,753</b>	<b>8,196,956</b>	<b>239,906,240</b>
<b>Liabilities</b>					
Deposits by banks	1,554,425	931	857,971	3,150,167	5,563,494
Customer accounts	139,149,215	50,988,852	21,960,664	5,005,510	217,104,241
Overdrawn balances with non group entities	-	-	-	-	-
Amounts owed to group entities	2,718,973	-	-	-	2,718,973
Other financial liabilities	3,061,821	33,750	4,781	20,390	3,120,742
Non financial liabilities	11,398,790	-	-	-	11,398,790
<b>Total liabilities</b>	<b>157,883,224</b>	<b>51,023,533</b>	<b>22,823,416</b>	<b>8,176,067</b>	<b>239,906,240</b>
Net on balance sheet (liabilities) / assets	409,561	(475,787)	45,337	20,889	-
<b>Off balance sheet assets</b>					
Foreign exchange contracts	908,816	904,786	-	-	1,813,602
Forward dated items	-	-	-	-	-
<b>Off balance sheet liabilities</b>					
Foreign exchange contracts	(908,816)	(904,786)	-	-	(1,813,602)
Forward dated items	-	-	-	-	-
Total net currency exposure	409,561	(475,787)	45,337	20,889	-

24. Risk management and control of financial instruments (continued)

(f) Currency Risk (continued)



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

At 31 July 2008

	Sterling	US Dollar	Euro	Other	Total
<b>Assets</b>					
Loans and advances to banks	80,260,494	84,630,149	27,893,867	13,784,410	206,568,920
Debt securities - certificates of deposit	105,000,000	-	-	-	105,000,000
Loans and advances to customers	4,393,689	311,967	1,953,199	-	6,658,855
Other financial assets	1,249,333	-	-	-	1,249,333
Non financial assets	307,711	-	-	-	307,711
<b>Total assets</b>	<b>191,211,227</b>	<b>84,942,116</b>	<b>29,847,066</b>	<b>13,784,410</b>	<b>319,784,819</b>
<b>Liabilities</b>					
Deposits by banks	600,000	-	-	-	600,000
Customer accounts	170,742,052	84,723,204	29,672,392	13,817,259	298,954,907
Overdrawn balances with non group entities	5,175,028	128,361	-	-	5,303,389
Amounts owed to group entities	1,957,971	-	-	-	1,957,971
Other financial liabilities	1,893,123	61,122	71,526	15,905	2,041,676
Non financial liabilities	10,926,876	-	-	-	10,926,876
<b>Total liabilities</b>	<b>191,295,050</b>	<b>84,912,687</b>	<b>29,743,918</b>	<b>13,833,164</b>	<b>319,784,819</b>
Net on balance sheet assets / (liabilities)	(83,823)	29,429	103,148	(48,754)	-
<b>Off balance sheet assets</b>					
Foreign exchange contracts	-	-	-	-	-
Forward dated items	-	-	-	-	-
<b>Off balance sheet liabilities</b>					
Foreign exchange contracts	-	-	-	-	-
Forward dated items	-	-	-	-	-
Total net currency exposure	(83,823)	29,429	103,148	(48,754)	-

(g) Interest rate exposure

Interest rate gaps represent the positional difference between commitments in a ladder of all interest bearing transactions sorted by interest due dates. The Bank is exposed to interest rate movements when it has an interest positional difference between its assets and liabilities.

The offshore ALCO is responsible for monitoring the Bank's exposure to unfavourable and favourable interest rate movements created by world economic conditions and adjusting the deployment policy accordingly. To fulfil its responsibility, the Committee applies a mismatch versus limit approach to measure the resultant financial risk for Sterling, US Dollars, Euros and all other currencies.

The Company's interest rate exposure is summarised below in the form of an interest rate repricing table. The table reflects the repricing profile of the Company's assets and liabilities as at the year end. The table shows the sensitivity of the Company's net assets to interest rate movements. The cumulative gap of interest bearing net assets of £12,160,902 (2008 : £11,411,509) broadly equates to the Company's capital and reserves, which are subject to interest rate fluctuations and as a matter of policy are not hedged.

24. Risk management and control of financial instruments (continued)

(g) Interest rate exposure (continued)



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

At 31 July 2009

	Within 3 months £	Between 3 and 6 months £	Between 6 months and 1 year £	Between 1 and 5 years £	Non-interest bearing £	Total £
<b>Assets</b>						
Loans and advances to banks	104,652,175	14,201,653	6,679,722	10,667,439	-	136,200,989
Certificates of deposit	90,079,772	5,000,000	-	-	-	95,079,772
Loans and advances to customers	6,266,849	-	-	-	-	6,266,849
Equity shares - investments	-	-	-	-	2	2
Tangible fixed assets	-	-	-	-	239,775	239,775
Other assets	-	-	-	-	9,348	9,348
Prepayments and accrued income	-	-	-	-	2,048,575	2,048,575
Deferred tax asset	-	-	-	-	60,930	60,930
	<b>200,998,796</b>	<b>19,201,653</b>	<b>6,679,722</b>	<b>10,667,439</b>	<b>2,358,630</b>	<b>239,906,240</b>
<b>Liabilities</b>						
Deposits by banks	5,563,494	-	-	-	-	5,563,494
Customer accounts	193,503,689	10,456,400	3,361,713	9,782,439	-	217,104,241
Amounts owed to group entities	2,718,973	-	-	-	-	2,718,973
Other liabilities	-	-	-	-	174,881	174,881
Accruals and deferred income	-	-	-	-	2,945,861	2,945,861
Income tax	-	-	-	-	135,546	135,546
Total equity shareholders' funds	-	-	-	-	11,263,244	11,263,244
	<b>201,786,156</b>	<b>10,456,400</b>	<b>3,361,713</b>	<b>9,782,439</b>	<b>14,519,532</b>	<b>239,906,240</b>
Interest rate sensitivity gap	(787,360)	8,745,253	3,318,009	885,000	(12,160,902)	
<b>Cumulative gap</b>	<b>(787,360)</b>	<b>7,957,893</b>	<b>11,275,902</b>	<b>12,160,902</b>	<b>-</b>	

24. Risk management and control of financial instruments (continued)

(g) Interest rate exposure (continued)



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

At 31 July 2008

	Within 3 months £	Between 3 and 6 months £	Between 6 months and 1 year £	Between 1 and 5 years £	Non-interest bearing £	Total £
<b>Assets</b>						
Loans and advances to banks	197,968,920	2,400,000	1,200,000	5,000,000	-	206,568,920
Certificates of deposit	105,000,000	-	-	-	-	105,000,000
Loans and advances to customers	6,658,855	-	-	-	-	6,658,855
Equity shares - investments	-	-	-	-	2	2
Tangible fixed assets	-	-	-	-	307,711	307,711
Other assets	-	-	-	-	42,635	42,635
Prepayments and accrued income	-	-	-	-	1,206,696	1,206,696
	<b>309,627,775</b>	<b>2,400,000</b>	<b>1,200,000</b>	<b>5,000,000</b>	<b>1,557,044</b>	<b>319,784,819</b>
<b>Liabilities</b>						
Deposits by banks	600,000	-	-	-	-	600,000
Customer accounts	289,865,158	2,446,843	1,642,906	5,000,000	-	298,954,907
Overdrawn balances with non group entities	5,303,388	-	-	-	-	5,303,388
Amounts owed to group entities	1,957,971	-	-	-	-	1,957,971
Other liabilities	-	-	-	-	289,344	289,344
Accruals and deferred income	-	-	-	-	1,752,333	1,752,333
Deferred tax	-	-	-	-	12,372	12,372
Income tax	-	-	-	-	211,321	211,321
Total equity shareholders' funds	-	-	-	-	10,703,183	10,703,183
	<b>297,726,517</b>	<b>2,446,843</b>	<b>1,642,906</b>	<b>5,000,000</b>	<b>12,968,553</b>	<b>319,784,819</b>
Interest rate sensitivity gap	11,901,258	(46,843)	(442,906)	-	(11,411,509)	
<b>Cumulative gap</b>	<b>11,901,258</b>	<b>11,854,415</b>	<b>11,411,509</b>	<b>11,411,509</b>	<b>-</b>	

24. Risk management and control of financial instruments (continued)

(h) Other risks



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

i) Concentration risk

The Company has counterparty concentration risk within its Treasury assets in that exposure is to a number of similar credit institutions. The Banking Committee actively monitors counterparties and may reduce risk by either suspending dealing or liquidating investments in the light of adverse market information, for example in anticipation of or in response to any formal agency rating downgrade. This may happen in relation to specific banks or banks within a particular country or sector.

ii) Reputational Risk:

It is held that this risk would only crystallise as a consequence of failure in managing the Company's other key risks.

iii) Strategic Risk

This is the risk of failing to achieve strategic objectives. The overall strategy is reviewed at least annually and risks of internal and external changes are reflected in a detailed budget and three year plan by stress testing. It has been found that even under extreme conditions, the Company's business model and risk management strategies remain robust and within the Group's risk appetite.

iv) Operational Risk

This is the risk of material adverse impact resulting from inadequate or failed internal processes, caused by people or processes, or from external events. The operational risk capital requirement as calculated under Basel 2 reporting guidelines is currently £674,000.

(i) Asset and liability classification

At 31 July 2009

	Fair value through P&L	Loans and receivables	Other financial	Non financial	Total
<b>Assets</b>					
Loans and advances to banks	-	136,200,989	-	-	136,200,989
Debt securities - certificates of deposit	-	95,079,772	-	-	95,079,772
Loans and advances to customers	-	6,266,849	-	-	6,266,849
Other assets	4,029	-	1,926,111	428,490	2,358,630
<b>Total assets</b>	<b>4,029</b>	<b>237,547,610</b>	<b>1,926,111</b>	<b>428,490</b>	<b>239,906,240</b>
<b>Liabilities</b>					
Deposits by banks	-	-	5,563,494	-	5,563,494
Customer accounts	-	-	217,104,241	-	217,104,241
Overdrawn balances with non group entities	-	-	-	-	-
Amounts owed to group entities	-	-	2,718,973	-	2,718,973
Other liabilities	2,380	-	3,118,362	11,398,790	14,519,532
<b>Total liabilities</b>	<b>2,380</b>	<b>-</b>	<b>228,505,070</b>	<b>11,398,790</b>	<b>239,906,240</b>
<b>Net assets / (liabilities)</b>	<b>1,649</b>	<b>237,547,610</b>	<b>(226,578,959)</b>	<b>(10,970,300)</b>	<b>-</b>

24. Risk management and control of financial instruments (continued)

(i) Asset and liability classification (continued)



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

At 31 July 2008

	Fair value through P&L	Loans and receivables	Other financial	Non financial	Total
<b>Assets</b>					
Loans and advances to banks	-	206,568,920	-	-	206,568,920
Debt securities - certificates of deposit	-	105,000,000	-	-	105,000,000
Loans and advances to customers	-	6,658,855	-	-	6,658,855
Other assets	-	-	1,249,333	307,711	1,557,044
<b>Total assets</b>	-	<b>318,227,775</b>	<b>1,249,333</b>	<b>307,711</b>	<b>319,784,819</b>
<b>Liabilities</b>					
Deposits by banks	-	-	600,000	-	600,000
Customer accounts	-	-	298,954,907	-	298,954,907
Overdrawn balances with non group entities	-	-	5,303,388	-	5,303,388
Amounts owed to group entities	-	-	1,957,971	-	1,957,971
Other liabilities	-	-	2,041,677	10,926,876	12,968,553
<b>Total liabilities</b>	-	-	<b>308,857,943</b>	<b>10,926,876</b>	<b>319,784,819</b>
<b>Net assets / (liabilities)</b>	-	<b>318,227,775</b>	<b>(307,608,610)</b>	<b>(10,619,165)</b>	-

25. Reconciliation of movements in Shareholder's funds

	31 July 2009 £	31 July 2008 £
Profit for the financial year	560,061	2,270,470
Dividends paid	-	(5,000,000)
Shareholder's funds brought forward	10,703,183	13,432,713
Shareholder's funds carried forward	<b>11,263,244</b>	<b>10,703,183</b>

26. Controlling party and ultimate controlling party

The immediate parent and controlling party is Close International Bank Holdings Limited, registered in Guernsey. The ultimate parent and controlling party is Close Brothers Group Plc., a listed company registered in England and Wales.

27. Fees and commissions receivable

Included within fees and commissions receivable is an amount of £19,444 (2008: £473,761) which relates to the income received for services provided to The Derbyshire (Isle of Man) Limited ("TDIOM"). On 21 December 2007, TDIOM was sold to KSF IOM.

The final fee due from KSF IOM, for services provided to TDIOM was invoiced, but not received before KSF IOM went into liquidation (note 18). An application has been made to the Liquidator of KSF IOM for the amount of this final invoice to be admitted in full to rank for a dividend as an unsecured non-preferential claim. The amount of £20,644 plus VAT has not been recognised in the current year fees and commissions receivable, as the directors could not be certain of its recoverability at the date of signing these financial statements.