
2009

Consolidated Financial Statements

C Hoare & Co

& Subsidiary Companies



Company Number: 240882

C HOARE & CO
MANAGING PARTNERS' REPORT
FOR THE YEAR ENDED 31 MARCH 2009

The Managing Partners present their Annual Report and Consolidated Financial Statements for the year ended 31st March 2009.

The financial statements were approved by the Managing Partners on 18 June 2009.

1. PRINCIPAL ACTIVITIES

C Hoare & Co ("the Bank") is an Unlimited Company with a Share Capital. The Bank's principal activities together with its subsidiaries Messrs Hoare Trustees, Mitre Court Property Holding Company, Hoare's Bank Nominees Ltd and Hoare's Bank Pension Trustees Limited are to provide a wide range of banking, investment and financial advice services to a predominantly high net wealth customer base.

2. RESULTS AND DIVIDENDS

The financial results for the year are set out in the profit and loss account on page 10. Although underlying business growth continues to be strong, the Bank suffered from credit losses on both its customer and bank counterparty exposures. As a result pre tax profit for the year decreased by 13% to £15.1m, compared to £17.3m for the previous year.

The Board recommended an ordinary share dividend for the year of £50 per share (2008: £50), payable on 25th July 2009.

Retained profits for the year of £10m will be used to strengthen reserves and support future growth.

3. BUSINESS REVIEW

Performance

A year ago the Bank anticipated that there would be further turmoil in the financial markets. By maintaining its traditional, conservative, approach to both lending and deposit taking the Bank has managed to avoid any direct exposure to the lending activities and securities that led to losses at many competitors and other financial institutions. Nonetheless the Bank does not operate in a vacuum. Many of the Bank's counterparties suffered substantial credit losses and liquidity problems.

During 2008 the Bank saw problems emerging in its Floating Rate Note book, which is an exposure to other (rated) financial institutions in the UK and overseas. In the event this led to losses on assets of £10m. This was a major disappointment and although the Bank remains optimistic of some level of recovery these have been provided in full for the time being.

As part of its risk mitigation the Bank took the unprecedented step of reducing its exposure to all other banks, preferring the safety of the Bank of England, the Debt Management Office and other UK bank securities backed by HM Government, albeit at lower yields. This has led to a substantial increase in turnover in holdings in investment securities, which can be seen in the Cash Flow Statement on page 13. Customers fully supported this approach. At the height of the crisis, in October 2008, customer deposits reached record levels of £1.8billion. Overall there was growth in customer deposits of 16% during the year.

A slow down in demand for borrowing was also anticipated. As the crisis developed the Bank became one of the few lenders still open to new business on normal terms. Normally a small proportion of customers would look to refinance borrowing from the Bank on more competitive terms elsewhere. This trend halted sharply and as a result there was growth in customer lending of 18%.

Customers have not been immune from the economic slowdown that now follows the collapse in the credit markets and the property slow down. The Bank found it prudent to raise provisions of around £5m to cover losses in its retail lending book. The Bank has also taken a prudent view in the valuation of its own properties in recognising a £4.5m reduction in value during the year, together with impairment losses of £1.9m on the Bank's own investment portfolio.

C HOARE & CO
MANAGING PARTNERS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

BUSINESS REVIEW (CONTINUED)

In aggregate shareholders funds have declined by £15m (13%) during the year, primarily as a result of the movement in market prices on the Bank's FRN book, investments, and property as noted above and a re-emergence of the pension deficit. The changes are detailed in the Statement of Recognised Gains and Losses on page 14.

As successive central bank initiatives began to take hold interest rates in the capital markets have fallen substantially. In order to protect the Bank's declining margins and maintain the capability to pay a modest rate of interest to its depositors the Board set a minimum base rate for the Bank of 3% in December.

The Bank's net interest margin (a key financial performance indicator) improved from 2.40% to 2.70% as abnormal money market rates in the early part of the year compensated for the shift into low yield treasury assets and declining interest rates in the final quarter.

Overall, the combination of higher average interest rates and higher average balances in the banking book led to an increase in net interest income of £13m (38%). Revenue from the Bank's foreign exchange, investment management and advisory businesses grew by an encouraging 21% during the year. Overall, Total Income grew by 16% to £66m.

Excluding performance related pay, underlying operating expenses increased by 10% over 2008. Staff costs comprise 64% of the Bank's cost base and these also increased by 10%.

Within the Bank's costs for the year is £1.6m in respect of its share of the Financial Services Compensation Scheme (FSCS) Levy. This charge, levied on the volume of the Bank's customer deposits, is based upon estimates provided by the Financial Services Authority in relation to the cost of meeting deposits covered by the Scheme in those UK banks that failed during the year. Further detail is provided in note 27 to the accounts on page 45.

As a result of the foregoing, and excluding the impact of bad debts, the Bank's cost: income ratio (another key financial performance indicator) as reported to the Board improved from 67% to 54% during the year.

The Board took the difficult decision to close the Bank's defined benefit pension scheme to future accrual in 2007. In March 2008 the Scheme was fully funded on an FRS17 basis. Economic events took their toll on the Scheme's investments and as a result the Scheme moved back into an FRS 17 deficit during the year. Full details are set out in note 3 to the accounts.

The Managing Partners maintain a strong philanthropic culture within the Bank. One of the Bank's non-financial Key Performance Indicators is the proportion of staff that share the Bank's values and donate to charity through the Bank's "Give as You Earn" scheme. As at March 2009, 32% of staff chose to give in this way (2008: 31%). The Bank's Charitable Trust further increases the value of staff participation by double matching the staff contributions. The Bank also encourages staff to give up some of their own time to charitable causes by matching the time taken with paid leave up to a maximum of two days.

Future Developments

The Managing Partners see the coming year as difficult for business generally, in both the UK and overseas. The Bank has avoided direct exposure to securitised assets and off balance sheet financing vehicles. The customer lending book is entirely funded by retail deposits. As a result the business has proved highly robust during the recent test and the Managing Partners believe that customers and the Bank will be best served in the future if the Bank maintains its current business model and overall investment programme in both staff and technology.

During the last year the new on-line banking system was rolled out. The Bank will continue to invest where it can see ongoing benefit to customers, either directly or by improving efficiency.

C HOARE & CO
MANAGING PARTNERS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

BUSINESS REVIEW (CONTINUED)

Marked success has been seen from the Bank's approach to integrating services, whereby departments across the Bank work together to deliver a seamless full service proposition to the customer, and it is planned to develop this further during the coming twelve months.

Greater influence from the regulator is anticipated over the coming year. The Managing Partners do not foresee any overall change to business strategy, which is already run along very conservative lines but greater emphasis on both capital adequacy and liquidity are likely to lead to further pressure on margins as the Bank's competitors look to increase the proportion of their retail funding.

Further costs in relation to the FSCS levy are also expected. For the moment interest costs on the loan provided by the Treasury to the FSCS can only be estimated. At some point the losses in those failed banks covered by the scheme will become known and further, possibly substantial, charges will arise. There is little the Bank can do to mitigate this industry cost, which is effectively a tax on deposits.

Risk Management (audited)

The Bank's business is stable and concentrates on the supply of banking, investment management, financial, tax and estate planning services to generations of customers. Regular patterns of income and expenditure emerge and are well understood by the Bank. This stability enables the Managing Partners to monitor risks closely, and to detect any emerging changes at an early stage.

The Bank was an early adopter of new capital adequacy rules that came fully into effect in January 2008, known as Basel II. The Managing Partners continually assess the Bank's risk profile and risk management procedures and are satisfied that the Bank's overall business profile continues to be well managed from a risk perspective.

The Bank has an established risk management framework. Operational risks (such as fraud, transaction errors, and systems failures) are tracked, and any losses recorded, in the Bank's operational risk register, which is reviewed regularly by Management and the Board. Key risks are monitored by reference to leading indicators, which are designed to highlight potential problem areas well in advance.

The Asset/Liability Management Committee (ALCO) meets on a monthly basis. It is the responsibility of the ALCO to oversee the matching of the Bank's assets and liabilities, and manage liquidity, in a formal and co-ordinated manner.

Monitoring and measurement of risks is based upon a series of policies in line with principles established by the Financial Services Authority ("FSA"), the Bank's principal regulator.

a) Credit Risk

It is the Bank's policy to lend to customers against security. Unsecured lending is only entered into where, in the Managing Partners' view, the customer's circumstances make it prudent to do so.

The Bank has a Credit Policy Committee, which oversees pricing, security and overall exposure guidelines. This committee is chaired by an experienced member of the Bank's management with participation of up to five Managing Partners. The recent economic uncertainty has led to a more rigorous approach in assessing loans for inclusion in the watch list as detailed in note 33 to the accounts.

It is the policy of the Bank to lend to a restricted list of other financial institutions with the main criteria for selection being the stability and reputation of the institution. These are mainly UK incorporated and authorised by the Financial Services Authority.

All lending is undertaken within limits, which are regularly reviewed by either the ALCO (wholesale) or the Credit Policy Committee (retail) and approved by the Managing Partners.

C HOARE & CO
MANAGING PARTNERS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

BUSINESS REVIEW (CONTINUED)

b) Liquidity

The Bank is supervised by the FSA on a Stock Liquidity basis, which requires the Bank to hold sufficient cash to meet 5% of retail deposits. The Managing Partners have established their own criteria and place further limits on lending and other long term investments such that these should not normally exceed two-thirds of retail deposits. Liquidity is managed daily by the Bank's Treasury operation under the supervision of the ALCO.

c) Interest Rate Risk and Sensitivity

The interest rate risk arising from the mismatching of the Bank's lending and deposits is actively managed. The majority of the Bank's loans and advances to customers are related to C. Hoare & Co. base rate. Interest rate margins are closely monitored and evaluated. The exposure to interest rate changes and sensitivity is regularly reported to and reviewed by the ALCO, which manages the overall exposure within an agreed limit.

d) Foreign Currency

Foreign currency balances are driven by the Bank's customers' requirements. In order to limit the Bank's exposure to exchange rate risks, limits are placed on the Bank's foreign exchange dealers for intra day and end of day positions. Liabilities are in respect of deposits from customers, and assets are lending to customers, balances with other banks and some foreign currency denominated investments.

The foreign exchange dealers have authority to deal in forward foreign exchange contracts within specified limits, either to meet or match customers' requirements or to trade on the Bank's behalf. The resulting positions are independently monitored and are reported regularly on a currency by currency basis to the ALCO.

e) Derivatives

The Bank does not deal in derivatives (as defined by the Accounting Standards Board: Financial Reporting Standard 13) on its own account other than to manage its own exposure to fluctuations in interest and exchange rates. The Bank will accept instructions to deal on behalf of a customer, on an execution only basis.

Derivatives are carried at fair value and shown in the balance sheet as separate components of assets and liabilities. Fair value gains and losses on derivatives are recognised to the profit and loss.

As part of its responsibilities, the ALCO approves the use of specified derivative instruments within agreed limits and business activities.

f) Trading Book

It is the Bank's general policy not to operate any material trading (i.e. non banking) positions.

Detailed disclosures on interest rate risk, foreign risk and the use of derivatives are set out in note 33 in accordance with FRS 29 'Financial instruments: Disclosures'.

Membership of the ALCO comprises several Managing Partners and a number of the Bank's senior managers under the Chairmanship of Miss V.E. Hoare.

C HOARE & CO
MANAGING PARTNERS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

4. CAPITAL MANAGEMENT AND ALLOCATION

Capital Management (audited)

The FSA monitors and agrees capital requirements for banks operating in the UK. The Bank adopted the Standardised Approach to Credit Risk with effect from 1st January 2007 under the Capital Requirements Directive, more commonly known as Basel II. During the year the Bank enhanced its management of Operational Risk by adopting the Standardised Approach to Operational Risk with effect from September 2008.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes the share capital, reserve fund and the audited retained profits and losses from previous years, plus any regulatory adjustments.
- Tier 2 capital, which includes the property and investment property revaluation reserves, the available-for-sale reserve in respect of equity investments and the collective allowance for impairment.

Various limits are applied to elements in the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital and there are restrictions on the amount of collective impairment allowances that may be included as part of the tier 2 capital. Currently, the Bank is not constrained by any of these limits.

The Bank's operations are classified as banking book and risk-weighted assets are determined according to specified requirements to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank's policy is to maintain a strong capital base so as to maintain customer, creditor and market confidence and to sustain future development of the business. The Bank has complied with all imposed capital requirements throughout the period and there have been no material changes to the Bank's management of capital during the period. Capital strength was enhanced during the year by switching available money market balances to UK Government backed assets. The benefit of this approach was evidenced by a significant inflow of customer deposits.

The table overleaf summarises the Bank's regulatory capital, risk-weighted assets and capital ratios. This method uses the risk assets ratio framework, which is the international standard for measuring capital adequacy. The FSA's approach to such measurement under Basel II is now based primarily on monitoring the relationship of the Capital Resources Requirements (CRR – broadly equivalent to 8 per cent of risk-weighted assets and thus representing the capital required under Pillar 1 of Basel II) to available capital resources. The FSA has set an Individual Capital Guidance (ICG) for the Bank, calibrated by reference to the CRR. A key input to the FSA's ICG setting process (which addresses the requirements of Pillar 2 under Basel II) is the Bank's Internal Capital Adequacy Assessment Process (ICAAP). The Bank submitted its ICAAP to the FSA in September 2007 and the FSA advised the Bank of its ICG in March 2008. The FSA have made it clear that each ICG remains a confidential matter between each bank and the FSA.

The Bank's capital adequacy and capital resources are managed and monitored in accordance with the regulatory capital requirements of the FSA. The Bank must at all times monitor and demonstrate compliance with the relevant regulatory capital requirements of the FSA. The Bank has put in place processes and controls to monitor and manage the capital adequacy and no breaches were reported to the FSA during the year.

C HOARE & CO
MANAGING PARTNERS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

Capital Management (continued)

The Bank's regulatory capital position at 31 March was as follows:

Composition of Regulatory Capital (audited)

	2009	<i>2008</i>
	£000	<i>£000</i>
Tier 1 Capital		<i>(unaudited)</i>
Ordinary share capital	120	<i>120</i>
Reserve Fund	22,748	<i>22,748</i>
Profit and loss account	78,515	<i>74,262</i>
Available-for-sale reserve losses (equities)	(1,223)	<i>-</i>
	<hr/>	<hr/>
Total	100,160	<i>97,130</i>
	<hr/>	<hr/>
Tier 2 Capital		
Property revaluation reserve	14,279	<i>12,329</i>
Investment property revaluation reserve	3,376	<i>9,834</i>
Available-for-sale reserve gains (equities)	-	<i>3,018</i>
Collective Impairment Allowance	1,110	<i>410</i>
	<hr/>	<hr/>
Total	18,765	<i>25,591</i>
	<hr/>	<hr/>
Total regulatory capital	118,925	<i>122,721</i>
	<hr/>	<hr/>
<u>Risk-weighted assets</u> (unaudited)	792,217	<i>746,013</i>
	<hr/>	<hr/>
<u>Capital ratios</u> (unaudited)		
Total regulatory capital expressed as a percentage of total risk weighted assets	15.01%	<i>16.45%</i>
Total tier 1 capital expressed as percentage of risk weighted assets	12.64%	<i>13.02%</i>

5. AUDIT AND COMPLIANCE COMMITTEE

The members of the committee are Messrs H.C. Hoare, D.J. Hoare, R.P. Baker-Bates, D. Hall and Mrs A.S. Hopewell and the independent chairman, Mr I. R. Peacock. The committee meets six times per year; it receives reports from the external auditors, reviews the annual financial statements and receives regular reports from the Internal Audit department, Compliance department, Money Laundering Reporting Officer, and the Data Protection and Risk Officer. Additionally, the committee reviews the operation and effectiveness of the Bank's internal financial procedures. The internal audit department liaises with the external auditors and operates to a work programme agreed with the committee based upon risk assessment. The Managing Partners are grateful to Mr. M.G. Hoare who served as Chairman of this Committee until July 2008.

C HOARE & CO
MANAGING PARTNERS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

6. MANAGING PARTNERS AND THE BOARD

The Managing Partners of the Bank who held office during the year and comprise the Board of the Bank were as follows: -

H C Hoare
D J Hoare
R Q Hoare
A S Hoare
V E Hoare
S M Hoare
A S Hopewell

The Managing Partners also take advice from four independent non-executive Consultants to the Board. During the year these consultants were Lord Wilson of Dinton (who, without a vote, also chairs Board meetings), Mr. Rodney Baker-Bates, Mr. David Hall, and Mr. Ian Rex Peacock. Mr. Peacock was appointed in July 2008 following the retirement of Mr. Michael Graham Hoare.

7. EMPLOYEES

The Bank has 286 employees on a full time equivalent basis as at 31 March 2009. The Bank is an equal opportunities employer and recruits the most suitable applicant for any given vacancy regardless of race, sex, age or ethnicity. The Bank recognises its obligation to give disabled persons full and fair consideration for all vacancies and to ensure that such persons are not discriminated against on the grounds of their disability. Employees who become disabled during their working life will be retained in employment wherever possible and given help with rehabilitation and training.

The Bank is committed to employee involvement and undertakes regular briefing sessions on the strategy, and performance of the Bank. There is also an Employee Information and Consultation Panel where staff representatives can discuss matters with management.

8. CHARITABLE CONTRIBUTIONS

During the year charitable donations amounted to £nil (2008 - £1,416,000).

9. AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

10. DISCLOSURE OF INFORMATION TO AUDITORS

The Managing Partners who held office at the date of approval of this Managing Partners' report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditors are unaware; and each Managing Partner has taken all the steps that they ought to have taken as a Managing Partner to make themselves aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

By Order of the Board

18 June 2009

D GREEN
Secretary

HOARE & CO.
STATEMENT OF MANAGING PARTNERS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2009

The Managing Partners are responsible for preparing the Managing Partners' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Managing Partners to prepare financial statements for each financial year. Under that law they have elected to prepare group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the Managing Partners are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Managing Partners are satisfied that the Group and the Company have adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The Managing Partners are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF C HOARE & CO**

We have audited the group and parent company financial statements (the “financial statements”) of C Hoare & Co for the year ended 31st March 2009 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. 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 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Managing Partners and auditors

The Managing Partners’, who are also directors of C Hoare & Co for the purposes of Company Law, responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Managing Partners’ Responsibilities on page 8.

Our responsibility is to audit the financial statements in accordance with relevant 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 Act 1985. We also report to you whether in our opinion the information given in the Managing Partners’ Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 Managing Partners’ remuneration and other transactions is not disclosed.

We read the Managing Partners’ Report 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 judgments made by the Managing Partners in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s and 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 UK Generally Accepted Accounting Practice, of the state of the group’s and the parent company’s affairs as at 31st March 2009 and of the group’s profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Managing Partners’ Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

18 June 2009

8 Salisbury Square
London EC4Y 8BB
United Kingdom

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009

Continuing Operations:	Notes	2009 £000	<i>2008</i> <i>£000</i>
Interest income		89,685	<i>91,159</i>
Interest expense		(41,595)	<i>(56,222)</i>
Net interest income	2	48,090	<i>34,937</i>
Other finance cost	3	(603)	<i>(176)</i>
Fees and commissions income		14,785	<i>13,268</i>
Fees and commissions expense		(402)	<i>(364)</i>
Net fees and commissions income		14,383	<i>12,904</i>
Net trading income	4	4,907	<i>3,794</i>
Other operating losses/gains	5	(468)	<i>5,656</i>
Total income		66,309	<i>57,115</i>
Operating expenses			
Administrative expenses	6	(33,320)	<i>(38,589)</i>
Depreciation and amortisation		(1,365)	<i>(906)</i>
Total operating expenses		(34,685)	<i>(39,495)</i>
Impairment losses/ gains on loans and advances		(4,519)	<i>73</i>
Impairment losses on available-for-sale assets		(11,981)	<i>(423)</i>
Profit on ordinary activities before tax		15,124	<i>17,270</i>
Taxation	8	(5,127)	<i>(4,725)</i>
Profit for the financial year	26	9,997	<i>12,545</i>

The notes on pages 15 to 55 form an integral part of these financial statements.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

31 MARCH 2009

	Notes	2009 £000	<i>2008</i> <i>£000</i>
ASSETS			
Cash and balances at central banks		567	<i>427</i>
Items in course of collection from banks		7,106	<i>6,257</i>
Derivative financial instruments	11	295	<i>263</i>
Loans and advances to banks	12	222,444	<i>391,336</i>
Loans and advances to customers	13	735,386	<i>624,005</i>
Available-for-sale financial assets	15	877,006	<i>594,413</i>
Tangible fixed assets	17	25,058	<i>29,475</i>
Deferred tax	18	219	<i>124</i>
Other assets	19	2,529	<i>1,166</i>
Prepayments and accrued income	20	5,415	<i>7,335</i>
		<hr/>	<hr/>
Total assets		1,876,025	<i>1,654,801</i>
		<hr/>	<hr/>
LIABILITIES			
Deposits by banks	21	128	<i>951</i>
Customer accounts	22	1,753,852	<i>1,515,931</i>
Derivative financial instruments	11	494	<i>297</i>
Other liabilities	23	6,223	<i>7,033</i>
Accruals and deferred income	24	5,702	<i>12,077</i>
Post-retirement benefit liability net of deferred tax	3	6,172	<i>-</i>
Called-up share capital	25	120	<i>120</i>
Reserve fund	26	22,748	<i>22,748</i>
Revaluation reserves	26	2,071	<i>21,382</i>
Profit and loss account	26	78,515	<i>74,262</i>
		<hr/>	<hr/>
Shareholders' funds		103,454	<i>118,512</i>
		<hr/>	<hr/>
Total liabilities		1,876,025	<i>1,654,801</i>
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These financial statements were approved by the Managing Partners on 18 June 2009 and were signed on their behalf by:

H C HOARE

R Q HOARE

The notes on pages 15 to 55 form an integral part of these financial statements.

C HOARE & CO
BALANCE SHEET
31 MARCH 2009

	Notes	2009 £000	<i>2008</i> <i>£000</i>
ASSETS			
Cash and balances at central banks		567	427
Items in course of collection from banks		7,106	6,257
Derivative financial instruments	11	295	263
Loans and advances to banks	12	222,444	391,336
Loans and advances to customers	13	735,386	624,005
Available-for-sale financial assets	15	812,082	528,999
Shares in group undertakings	16	10	10
Loans to subsidiary companies	16	35,049	30,340
Tangible fixed assets	17	21,997	26,059
Deferred tax	18	333	255
Other assets	19	3,059	1,166
Prepayments and accrued income	20	4,454	6,593
		<hr/>	<hr/>
Total assets		1,842,782	<i>1,615,710</i>
		<hr/>	<hr/>
LIABILITIES			
Deposits by banks	21	128	951
Customer accounts	22	1,753,852	1,515,931
Deposits from subsidiary companies	22	401	328
Derivative financial instruments	11	494	297
Other liabilities	23	6,210	6,648
Accruals and deferred income	24	5,687	12,049
Post-retirement benefit liability net of deferred tax	3	6,172	-
Called-up share capital	25	120	120
Reserve fund	26	21,148	21,148
Revaluation reserves	26	(1,173)	14,925
Profit and loss account	26	49,743	43,313
		<hr/>	<hr/>
Shareholders' funds		69,838	<i>79,506</i>
		<hr/>	<hr/>
Total liabilities		1,842,782	<i>1,615,710</i>
		<hr/>	<hr/>

These financial statements were approved by the Managing Partners on 18 June 2009 and were signed on their behalf by:

H C HOARE

R Q HOARE

The notes on pages 15 to 55 form an integral part of these financial statements.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £000	2009 £000	2008 £000	2008 £000
Reconciliation of operating to net cash flows					
Profit on ordinary activities before tax			15,124		17,270
Decrease/ (increase) in prepayments and accrued income			1,920		(1,433)
Decrease/ (increase) in other assets			804		(793)
(Decrease)/ increase in accruals and deferred income			(6,375)		1,182
(Decrease)/ increase in other liabilities			(1,446)		3,545
Increase/ (decrease) in provisions for bad debts			4,519		(73)
Loans and advances written off/(back) net of recoveries			844		92
Net charge in respect of defined benefit schemes			603		1,393
Contributions to defined benefit schemes			-		(10,200)
Depreciation			1,365		906
Exchange translation differences on investment securities			(56)		(1,277)
Loss/ (profit) on sale of investment securities			1,341		(4,472)
Profit on sale of tangible fixed assets			(15)		-
Impairment losses on investment securities			11,981		423
			<hr/>		<hr/>
Net cash flow from trading activities			30,609		6,563
Net increase in cheques in course of collection			(849)		(1,572)
Net decrease in loans and advances to banks			144,333		73,231
Net increase in customer accounts			207,379		259,908
Net decrease in deposits by banks			(1,308)		(1,310)
Net (increase)/ decrease in loans and advances to customers			(105,392)		259
			<hr/>		<hr/>
Net cash flow from operating activities			274,772		337,079
Taxation					
- United Kingdom corporation tax paid			(2,816)		(2,412)
Capital expenditure and financial investment					
-purchase of investment securities		(6,890,352)		(1,041,466)	
-sale and maturity of investment securities		6,588,153		732,002	
-purchase of tangible fixed assets		(1,456)		(1,658)	
-sale of tangible fixed assets		15		-	
			<hr/>		<hr/>
Net cash outflow from capital expenditure and financial investment			(303,640)		(311,122)
Equity dividends paid			(6)		(6)
			<hr/>		<hr/>
(Decrease)/Increase in cash	28		(31,690)		23,539
			<hr/>		<hr/>

The notes on pages 15 to 55 form an integral part of these financial statements.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £000	2008 £000
Profit for the financial year		9,997	12,545
Change in corporation tax rate	26	-	(3)
Unrealised (deficit)/ surplus on revaluation of properties – Land & buildings	26	(3,020)	1,720
Unrealised (deficit)/ surplus on revaluation of properties – Investment properties	26	(1,488)	258
Actuarial (loss)/ gains recognised in the pension scheme	3	(7,969)	7,825
Deferred tax arising on loss/ (gains) in the pension scheme		2,231	(3,908)
Tax credit on additional contributions paid		-	1,560
		(5,738)	5,477
Available-for-sale investments:			
Valuation losses taken to equity		(18,910)	(8,943)
Deferred tax arising on valuation losses taken to equity		4,107	1,271
Change in corporation tax rate	26	-	3
		(14,803)	(7,669)
Total gains and losses recognised since the last annual report		(15,052)	12,328

The notes on pages 15 to 55 form an integral part of these financial statements.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2009

Notes

1. Accounting Policies

Accounting policies have been applied consistently in dealing with amounts which are considered material to the financial statements and are unchanged from 2008.

(a) Basis of Preparation

The financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair values: land and buildings, investment properties, financial instruments designated as fair value through the profit or loss or as available-for-sale and derivative contracts. The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups, applicable accounting standards and Statements of Recommended Accounting Practice.

(b) Basis of Consolidation

The consolidated financial statements include the results of the Bank and its subsidiary undertakings.

Subsidiaries are entities controlled by the Bank. Control is defined where the Bank has power, directly or indirectly, to govern the financial and operating policies of such entities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of such entities are consolidated within the Bank financial statements until the date control ceases.

(c) Foreign Currencies

Transactions in foreign currencies are translated to sterling using the rate of exchange ruling at the date of the transaction. All monetary assets and liabilities are revalued daily at the closing exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange gains or losses on translation are included in the profit and loss account.

(d) Interest

Interest income and expense are recognised in the profit and loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of that asset or liability. The calculation of the effective interest rate includes all transaction costs (directly attributable to the acquisition or disposal of the instrument) and discounts or premiums that are an integral part of the cash flow of the financial asset or liability.

Interest income and expense presented in the income statement include

- Interest on financial assets and liabilities at amortised cost on an effective rate basis
- Interest on available for sale investment securities on an effective interest basis.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES (CONTINUED)

(e) Fees and commissions

Fees and commissions income and expense that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate.

Fees and commissions including loan arrangement fees, servicing fees, investment management fees, and financial service advice fees are recognised when the services are performed.

Fees and commissions expense relates mainly to transaction and service fees, which are expensed as the services are received.

(f) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(g) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividend income is reflected as a component part of other operating income.

(h) Pension Costs

The company operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are administered separately from those of the company in a trustee administered fund. This scheme was closed to new members with effect from 1 April 2002, since then new staff have been able to join a money purchase scheme. On 1 December 2007 the scheme was closed to future accrual, a "curtailment", and all remaining members were given the option to commence plans with the money purchase scheme.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full. The movement in the deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses, in accordance with FRS17.

In the previous year the pension scheme showed a surplus. This was not recognised as an asset on the face of the balance sheet as there was neither an agreement with the trustee to refund the balance, nor the intent to off-set future contributions against it as a prepayment.

The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES (CONTINUED)

(i) Tax

The charge for tax is based on the profit for the year and takes into account tax deferred because of timing differences between the treatment of certain items for tax and accounting purposes.

Deferred tax is provided in respect of all timing differences that have not reversed at the balance sheet date, other than in respect of revalued land and buildings and equity investments and where transactions result in an obligation to pay more or less tax in the future. Timing differences are differences between taxable profits and the results in the financial statements.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax relating to fair value re-measurement of available-for-sale investments which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the profit or loss when the deferred fair value gain or loss is recognised in the profit or loss.

(j) Dividends Payable

In accordance with FRS 21 Events after the balance sheet date, dividends payable are recognised to retained profits once approved by the shareholders.

(k) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, balances at the Bank of England and loans and advances to other banks repayable on demand.

(l) Classification of financial assets and liabilities

In accordance with FRS26 the Bank classifies issued instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

Deposits, debt securities and equity shares intended to be held on a continuing basis are classified as available-for-sale. Available for sale securities are initially measured at fair value plus direct and incremental transaction costs. They are subsequently remeasured at fair value, and changes therein are recognised directly in equity until the securities are either sold or impaired.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets and liabilities

(i) Recognition

The Bank initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at the fair value through the profit and loss account and equity investments) are initially recognised on the trade date at which the Bank becomes party to the contractual provisions of the instrument.

(ii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset such that the rights to receive the contractual cash flows and substantially all the risk and rewards of ownership of the financial asset are transferred.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as the Bank's foreign exchange dealing activity.

(iv) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial assets or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by valuation techniques. Valuation techniques applied by the Bank include pricing of net asset values for unquoted investments in venture capital holdings.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES (CONTINUED)

(vi) Identification and measurement of impairment

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through the profit and loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both a specific and collective level. All individually significant financial assets are assessed for specific impairment. All assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, indications or inability to repay or that a borrower or issuer will enter bankruptcy. Equity securities are also considered impaired if there is a sustained fall in the market value of the security with no indication of recovery in the near future.

In assessing collective impairment the Bank uses historical trends of the losses incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the historical trends suggest.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the profit and loss account.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and the current fair value of the available-for-sale investment to profit and loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the profit and loss account.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly to the Bank's equity reserves.

(n) **Loans and advances to banks and customers**

Loans and advances are classified as loans and receivables. They are initially recognised when cash is advanced to borrowers at fair value inclusive of transaction costs and are derecognised when either borrowers repay their obligation or the loans are written off. They are subsequently measured at amortised cost using the effective interest method, less impairment losses.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES (CONTINUED)

(o) Derivative financial instruments

Derivatives are financial instruments that derive their value from changes in response to changes in interest rates, financial instrument prices, foreign exchange rates, credit risk or indices.

The Bank enters into derivative contracts in the normal course of business to meet customer requirements and to manage its own exposure to fluctuations in interest, credit and exchange rates.

The principal derivatives used by the Bank are interest rate swaps, interest rate caps and forward foreign exchange rate contracts. The fair value of interest rate swaps is the estimated amount that the Bank would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

In accordance with FRS 26 derivatives are recognised as trading and recorded at fair value, with changes in fair value recognised in profit or loss. Fair values are obtained from quoted market prices in active markets or from dealer price quotations.

The Bank has not applied hedge accounting to any derivative financial instruments during the period, nor are any hedge accounting adjustments included in the balance sheet at 31 March 2009.

(p) Fixed Assets and depreciation

(i) Land and buildings and investment properties are included at the latest professional market valuation.

(ii) Depreciation is provided on all operational fixed assets from the date brought into use, other than on land and buildings, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected life, (3-10 years). No depreciation is charged on land and buildings as the Managing Partners consider the amount to be immaterial. No depreciation is provided in respect of investment properties in accordance with SSAP19.

(q) Investment Property

Investment properties are properties that are held to earn rental income and for capital appreciation. Properties are stated at fair value.

(r) Classification of financial instruments issued by the Bank

The Bank does not issue financial instruments other than the Ordinary Shares arising from the incorporation in 1929.

(s) Investment in subsidiaries

The Bank's investments in subsidiaries are stated at cost less any impairment losses.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

2. NET INTEREST INCOME

	2009	<i>2008</i>
	£000	<i>£000</i>
Interest income		
Available-for-sale investments	33,192	<i>22,513</i>
Loans and advances to customers	42,892	<i>45,313</i>
Loans and advances to banks	13,601	<i>23,333</i>
	89,685	<i>91,159</i>
Interest expense		
Deposits from customers and banks	(41,583)	<i>(56,184)</i>
Derivative liabilities	(12)	<i>(38)</i>
	(41,595)	<i>(56,222)</i>
Net interest income	48,090	<i>34,937</i>

Included within interest income is £297,000 (*2008- £199,000*) in respect of impaired financial assets.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

3. PENSION AND OTHER POST-RETIREMENT BENEFITS

The Bank operated a defined benefit pension scheme until 1 December 2007 when it was closed to further accrual and all staff that were then members were made deferred members, all benefits accrued to that date were enhanced and then preserved. There were no pension contributions to the defined benefit scheme for the year ended 31 March 2009 (2008 - £10,200,000) and no charge to the profit in and loss (2008 - £1,217,000). The Bank now operates a money purchase scheme which has become the main retirement scheme for all employees, the cost for the period of that scheme was £2,282,000 (2008 - £968,000). There were no outstanding or prepaid contributions to the defined benefit scheme at either the beginning or the end of the financial year.

The pension scheme assets are held in a separate trustee-administered fund to meet long-term liabilities to past and present employees. The trustee of the fund is required to act in the best interest of the scheme's beneficiaries. The appointment of trustees to the fund is determined by the scheme's trust documentation. The Bank has a policy that one-third of all trustee company directors should be nominated by members of the scheme and includes at least one member who is a current pensioner.

The Bank has applied the recognition and measurement requirements of FRS17 Revised "Retirement benefits" along with the Accounting Standards Board Reporting statement: Retirement benefits disclosures, in preparing these financial statements.

The principal actuarial assumptions at the balance sheet date were:

	2009	2008
	%	%
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment and deferred pensions	3.00	3.60
Discount rate at 31 March	6.80	6.90
Expected return on plan assets at 31 March		
- Equities	7.50	7.50
- Bonds	4.70	5.25
- Property	6.00	5.25
- Other & cash	0.50	5.25
Inflation assumption	3.00	3.60

Members are assumed to retire uniformly over the period from age 55 until their 60th birthday. No rate for increase in salaries has been included following the closure of the scheme in 2007.

The assumed life expectations upon retirement at age 60 are shown below:

	2009	2008
Retiring today		
Males	28.5	28.5
Females	31.7	31.6
Retiring in 20 years time		
Males	29.7	29.7
Females	32.7	32.7

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

3. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The key sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

Assumption	<i>Change in Assumption</i>	<i>Impact on scheme liabilities</i>
Discount rate	+/- 0.5%	-/+ £5.5m
Rate of life expectations upon retirement at aged 60	<i>Increase by 1 year</i>	+ £1.3m
Rate of increase in pensions payable and deferred pensions	+/- 0.5%	+/- £5.4m

Scheme assets and liabilities

Up until 1 December 2007, the Bank provided retirement benefits to some of its former and many of current employees through a defined benefit scheme, this scheme was closed to further accrual with effect from that date and all current members became deferred members with preserved benefits and enhanced pensionable service. These staff then joined the CHIPP (C. Hoare Individual Pension Plan) which is a money purchase scheme which was already in existence for staff not eligible to join the defined benefit scheme. The terms of the CHIPP were enhanced for all staff from December 2007 and this is now the primary pension arrangement for the Bank's staff. The defined benefit scheme provides a pension based upon the final salary at retirement date or preserved rights as at leaving the scheme or upon curtailment, the CHIPP provides a pension from an annuity purchased with the accumulated investment funds, and both permit lump sum withdrawals and reduced pensions thereafter.

The liabilities of the defined scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit method. This amount is reflected in the scheme surplus or deficit as detailed below. As at 31 March 2009, the valuations of scheme assets less liabilities show a deficit of £8,572,000.

An alternative method of valuation to the projected unit method is a solvency basis; this is the cost of buying out the existing pensions in payment and the accrued entitlements of the current and deferred members as at the balance sheet date. As at 31 March 2009 this was calculated to be £116m (2008: £132m).

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

3. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from the cash flow projections over long periods and thus inherently uncertain, were:

	2009	<i>2008</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
	£000	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Equities	18,580	<i>24,438</i>	<i>25,209</i>	<i>20,540</i>	<i>15,755</i>
Bonds	38,117	<i>36,124</i>	<i>31,336</i>	<i>32,098</i>	<i>28,822</i>
Property	8,069	<i>11,748</i>	<i>11,679</i>	<i>9,432</i>	<i>7,945</i>
Other and cash	914	<i>7,969</i>	<i>5,433</i>	<i>3,517</i>	<i>2,679</i>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total market value of assets	65,680	<i>80,279</i>	<i>73,657</i>	<i>65,587</i>	<i>55,201</i>
Present value of scheme liabilities	(74,252)	<i>(78,023)</i>	<i>(90,289)</i>	<i>(79,667)</i>	<i>(69,980)</i>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(Deficit) / Surplus in scheme	(8,572)	<i>2,256</i>	<i>(16,632)</i>	<i>(14,080)</i>	<i>(14,779)</i>
Related deferred tax asset / (liability)	2,400	<i>(631)</i>	<i>4,990</i>	<i>4,224</i>	<i>4,434</i>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net pension scheme (liability)/ asset	(6,172)	<i>1,625</i>	<i>(11,642)</i>	<i>(9,856)</i>	<i>(10,345)</i>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Changes in the fair value of the scheme assets	2009	<i>2008</i>
	£000	<i>£000</i>
Opening fair value of scheme assets	80,279	<i>73,657</i>
Expected return	4,671	<i>4,630</i>
Actual less expected gains and (losses)	(16,084)	<i>(4,526)</i>
Contributions from employer	-	<i>10,200</i>
Benefits paid	(3,186)	<i>(3,682)</i>
	<hr/>	<hr/>
Closing fair value of scheme assets	65,680	<i>80,279</i>
	<hr/>	<hr/>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

3. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

Changes in the present value of the pension obligation	2009	<i>2008</i>	
	£000	<i>£000</i>	
Opening pension obligation	78,023	<i>90,289</i>	
Service cost	-	<i>1,095</i>	
Past service cost	-	<i>2,624</i>	
Curtailement	-	<i>(2,502)</i>	
Interest cost	5,274	<i>4,806</i>	
Actuarial (gains) / losses	(5,859)	<i>(14,607)</i>	
Benefits paid	(3,186)	<i>(3,682)</i>	
	<hr/>	<hr/>	
Closing pension obligation	74,252	<i>78,023</i>	
	<hr/>	<hr/>	
Movement in deficit during the year	2009	<i>2008</i>	<i>2007</i>
	£000	<i>£000</i>	<i>£000</i>
Surplus / (deficit) as at 1st April	2,256	<i>(16,632)</i>	<i>(14,080)</i>
Current service cost	-	<i>(1,095)</i>	<i>(1,551)</i>
Past service cost	-	<i>(2,624)</i>	-
Curtailement	-	<i>2,502</i>	-
Employer contributions	-	<i>10,200</i>	<i>5,238</i>
Other financial cost	(603)	<i>(176)</i>	<i>(420)</i>
Actuarial gains and (losses)	(10,225)	<i>10,081</i>	<i>(5,819)</i>
	<hr/>	<hr/>	<hr/>
(Deficit) / Surplus as at 31st March	(8,572)	<i>2,256</i>	<i>(16,632)</i>
	<hr/>	<hr/>	<hr/>

The surplus in 2008 of £2,256,000 was not deemed recoverable from the scheme nor could it be utilised to off-set future contributions and therefore it was not recognised on the Bank's balance sheet. There was an adjustment to the actuarial gains passing through the statement of total recognised gains and losses to reflect this treatment. This adjustment was reversed at 31 March 2009 as the scheme went back into a deficit.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

3. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

The following items are recognised in the profit and loss account and the statement of total recognised gains and losses.

Analysis of other pension costs charged in arriving at the operating profit	2009 £000	<i>2008 £000</i>
In respect of defined benefit scheme:		
Current service cost	-	<i>1,095</i>
Past service cost	-	<i>2,624</i>
Curtailement	-	<i>(2,502)</i>
	<hr/>	<hr/>
	-	<i>1,217</i>
In respect of money purchase scheme:		
Current service cost	2,282	<i>968</i>
	<hr/>	<hr/>
Total operating charge	2,282	<i>2,185</i>
	<hr/>	<hr/>
Analysis of other finance income/ (cost)		
Expected return on assets	4,671	<i>4,630</i>
Interest on liabilities	(5,274)	<i>(4,806)</i>
	<hr/>	<hr/>
	(603)	<i>(176)</i>
	<hr/>	<hr/>

The expected return on the scheme assets is arrived at by applying the expected returns on plan assets at 31 March 2008, as detailed above, to the scheme assets at the same date to estimate a full year's income for 2008/09. The expected returns on bonds are an estimate of the yield to redemption for an average portfolio, for equities it is the expected long term return from distributions and capital growth and for property and cash it is the expected long term returns on deposits. These values are provided by the Bank's independent actuaries.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

3. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

Analysis of statement of total recognised gains and losses (STRGL)	2009 £000	<i>2008 £000</i>	<i>2007 £000</i>	<i>2006 £000</i>	<i>2005 £000</i>
Actual return less expected return on assets	(16,084)	<i>(4,526)</i>	<i>2,211</i>	<i>6,415</i>	<i>1,694</i>
Experience gains and losses arising on liabilities	311	<i>2,250</i>	<i>400</i>	<i>427</i>	<i>912</i>
Changes in assumptions	5,548	<i>12,357</i>	<i>(8,430)</i>	<i>(7,672)</i>	<i>(2,199)</i>
Actuarial gain / (loss)	(10,225)	<i>10,081</i>	<i>(5,819)</i>	<i>(830)</i>	<i>407</i>
Adjustment to reversal/(recognition) of balance sheet asset	2,256	<i>(2,256)</i>	<i>-</i>	<i>-</i>	<i>-</i>
Actuarial (loss) /gain recognised in STRGL	(7,969)	<i>7,825</i>	<i>(5,819)</i>	<i>(830)</i>	<i>407</i>
Actual return less expected return on assets as a percentage of scheme assets	-24.48%	<i>-5.64%</i>	<i>3.00%</i>	<i>9.78%</i>	<i>3.07%</i>
Experience gains and losses arising on liabilities as a percentage of the present value of scheme liabilities	0.42%	<i>2.88%</i>	<i>0.44%</i>	<i>0.54%</i>	<i>1.30%</i>
Actuarial gain/ (loss) as a percentage of the present value of scheme liabilities	-13.77%	<i>12.92%</i>	<i>-6.44%</i>	<i>1.04%</i>	<i>0.58%</i>

Future funding obligations

The most recent triennial actuarial valuation was carried out as at 1 April 2007 and then revised to 1 December 2007 in conjunction with the "curtailment" (closure to further accrual). Following that review it was agreed regular employer contributions would cease and the Bank would only make further contributions as and when agreed with the trustee. Previously, the Bank had made additional contributions in excess of the regular contributions however no such contributions were made in the current period.

The Bank is working with the trustee to explore ways to stabilise the scheme deficit through an investment strategy to minimise the mismatch between the liabilities and the assets of the scheme, to this end a portfolio of Liability Driven Investments were acquired in the period to improve the match between the scheme's assets and the scheme's liability profile.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

3. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

Nature and extent of the risks and rewards arising from the financial instruments held by the scheme

The scheme's assets are invested in a range of funds according to the statement of investment principles (SIP). This was developed in conjunction with the trustee and its appointed investment advisors. The spread of investments at 31 March 2009 was as follows:

% of total scheme assets	Planned 2009/10 SIP	31 March 2009	31 March 2008
Gilts/Bonds	53%	59%	45%
Global Equities	32%	28%	30%
Property	15%	12%	15%
Alternate Investments	-	-	4%
Cash	-	1%	6%
Total	100%	100%	100%

The trustee has appointed Lane Clark and Peacock as investment advisors to the scheme. Through them, Legal & General and Russell Investments manage the scheme's investment portfolio day to day through unitised funds and OEICs in accordance with the SIP. This ensures that the risks are spread across several investment classes and exposures to individual holdings are minimised. The trustee receives regular performance reports from the investment managers and the advisors and monitors these against fund benchmarks.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

4. NET TRADING INCOME

	2009	<i>2008</i>
	£000	<i>£000</i>
Dealing profits	5,083	<i>3,932</i>
Decrease in value of derivative contracts	(176)	<i>(138)</i>
	<hr/>	<hr/>
	4,907	<i>3,794</i>
	<hr/>	<hr/>

5. OTHER OPERATING (LOSSES) / INCOME

	2009	<i>2008</i>
	£000	<i>£000</i>
Rental income	455	<i>607</i>
Profit on sale of fixed assets	15	<i>-</i>
Dividend income on available-for-sale equity investments	403	<i>577</i>
(Losses) /gains on sale of available-for-sale investments	(1,341)	<i>4,472</i>
	<hr/>	<hr/>
	(468)	<i>5,656</i>
	<hr/>	<hr/>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

6. ADMINSTRATIVE EXPENSES

	2009	<i>2008</i>
	£000	<i>£000</i>
Staff costs		
-wages and salaries	16,234	<i>21,989</i>
-social security costs	1,816	<i>2,591</i>
-pension costs	2,282	<i>2,185</i>
Other administrative expenses	12,988	<i>11,824</i>
	<hr/>	<hr/>
	33,320	<i>38,589</i>
	<hr/>	<hr/>

The average number of persons employed by the Bank (including managing partners) during the year, analysed by category, was as follows.

	2009	<i>2008</i>
Full time	241.6	<i>225.6</i>
Part time	18.2	<i>19.0</i>
Contractors and agency staff	27.7	<i>28.6</i>
	<hr/>	<hr/>
Total average headcount (FTE)	287.5	<i>273.2</i>
	<hr/>	<hr/>

All persons are employed by C Hoare & Co.; the subsidiaries have no direct employees.

AUDITORS' REMUNERATION

	2009	<i>2008</i>
	£000	<i>£000</i>
Fee payable to the Bank's auditor for the audit of the Bank's annual accounts	117	<i>112</i>
Other services relating to tax	-	<i>13</i>
All other services	33	<i>75</i>
	<hr/>	<hr/>
<i>Total</i>	150	<i>200</i>
	<hr/>	<hr/>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

7. EMOLUMENTS OF MANAGING PARTNERS	2009	2008
	£000	£000
Total emoluments	2,347	5,790
Pension contributions	71	526
Supplementary pensions paid to former Managing Partners' widows	158	136
	<hr/>	<hr/>
	2,576	6,452
	<hr/>	<hr/>
Highest paid Managing Partner		
- emoluments	510	1,194
- pension contributions	0	435
- accrued pension entitlement	209	200
	<hr/>	<hr/>
Number of Managing Partners accruing benefits under the Bank's pension scheme at the year end	0	0
	<hr/>	<hr/>

The Bank's pension scheme was closed to further accrual with effect from 1 December 2007; the four Managing Partners who were accruing benefits at that date then became deferred members.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

8. TAX ON GROUP PROFIT ON ORDINARY ACTIVITIES

<u>Current tax</u>	2009 £000	2009 £000	<i>2008</i> <i>£000</i>	<i>2008</i> <i>£000</i>
UK corporation tax on profits of the period	5,365		<i>3,463</i>	
Adjustments in respect of previous periods	<u>25</u>		<u><i>14</i></u>	
Total current tax (see note 8 (a))		5,390		<i>3,477</i>
Deferred tax (see note 8 (b))		(263)		<i>1,248</i>
Total tax on ordinary activities		<u>5,127</u>		<u><i>4,725</i></u>

8(a) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 28% (2008: 30%).

The differences are explained below:-

	2009 £000	<i>2008</i> <i>£000</i>
Profit on ordinary activities before tax	<u>15,124</u>	<u><i>17,270</i></u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	4,235	<i>5,181</i>
Effects of:		
21% (2008: 20%) corporation tax on subsidiary company	(6)	<i>(8)</i>
Permanent disallowables	35	<i>47</i>
Timing differences on capital allowances	69	<i>(105)</i>
Pension contributions	169	<i>(1,082)</i>
Indexation allowance	-	<i>(288)</i>
Income from post-tax profits: Dividends	(111)	<i>(43)</i>
Shares gift aid deduction	-	<i>(239)</i>
Unrelieved capital losses	974	<i>-</i>
Adjustment to tax charge in respect of previous periods	25	<i>14</i>
Current tax charge for the period (note 8)	<u>5,390</u>	<u><i>3,477</i></u>

8(b) Factors affecting the deferred taxation charge

Timing difference on capital allowances	(69)	<i>105</i>
Prior year adjustment	(25)	<i>51</i>
Change in rate of corporation tax	-	<i>10</i>
Deferred tax on pension scheme	(169)	<i>1,082</i>
Deferred tax (credit)/charge	<u>(263)</u>	<u><i>1,248</i></u>

In addition to the tax charge in the profit and loss account detailed above, £2,231,000 (2008: £3,908,000 credit) has been charged to the statement of total recognised gains and losses in respect of actuarial losses in the pension scheme. As the bank has not paid any additional pension contributions in excess of the service costs for the scheme (see note 3) no tax credits (2008 - £1,560,000) have been included in the statement of total recognised gains and losses.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

9. GROUP PROFIT DEALT WITH IN THE ACCOUNTS OF C HOARE & CO

£12,174,000 (2008 – £9,416,000) of the group profit attributable to shareholders has been dealt with in the accounts of C Hoare & Co. As permitted by Section 230 of the Companies Act 1985, the profit and loss account of C Hoare & Co has not been presented separately.

10. DIVIDENDS

The aggregate of dividends comprises.

	2009 per share	<i>2008</i> <i>per share</i>	2009 £000	<i>2008</i> <i>£000</i>
Ordinary shares (declared)	£50	<i>£50</i>	6	<i>6</i>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

11. DERIVATIVE FINANCIAL INSTRUMENTS

The following table shows the notional principal amounts and the fair values, both positive and negative, of the Bank's derivative financial instruments.

	2009	2009	<i>2008</i>	<i>2008</i>
	Notional	Fair value	<i>Notional</i>	<i>Fair value</i>
	amount	Group	<i>amount</i>	<i>Group</i>
	Group	and	<i>Group</i>	<i>and</i>
	and	Company	<i>and</i>	<i>Company</i>
	Company	Company	<i>Company</i>	<i>Company</i>
	£000	£000	<i>£000</i>	<i>£000</i>
Derivative assets				
Trading				
Exchange rate contracts:				
Forward foreign exchange contracts	150,468	284	24,373	263
Options purchased	6,980	11	-	-
Total derivative assets	<u>157,448</u>	<u>295</u>	<u>24,373</u>	<u>263</u>
Derivative liabilities				
Trading				
Exchange rate contracts:				
Forward foreign exchange contracts	71,856	124	14,342	219
Interest rate contracts:				
Interest rate swaps	9,000	370	4,000	78
Total derivative liabilities	<u>80,856</u>	<u>494</u>	<u>18,342</u>	<u>297</u>

12. LOANS AND ADVANCES TO BANKS

	2009	2009	<i>2008</i>	<i>2008</i>
	Group	Company	<i>Group</i>	<i>Company</i>
	£000	£000	<i>£000</i>	<i>£000</i>
Repayable on demand	8,923	8,923	40,753	40,753
Other loans and advances				
Remaining maturity				
- over 5 years	4,133	4,133	3,567	3,567
- over 1 year but less than 5 years	-	-	-	-
- 1 year or less but over 3 months	4,188	4,188	20,085	20,085
- 3 months or less	205,200	205,200	326,931	326,931
	<u>222,444</u>	<u>222,444</u>	<u>391,336</u>	<u>391,336</u>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

13. LOANS AND ADVANCES TO CUSTOMERS

	2009	2009	<i>2008</i>	<i>2008</i>
	Group	Company	<i>Group</i>	<i>Company</i>
	£000	£000	<i>£000</i>	<i>£000</i>
Other loans and advances				
Remaining maturity				
-over 5 years	17,080	17,080	<i>13,831</i>	<i>13,831</i>
-5 years or less but over 1 year	39,592	39,592	<i>15,838</i>	<i>15,838</i>
-1 year or less but over 3 months	12,014	12,014	<i>50,992</i>	<i>50,992</i>
-3 months or less	673,015	673,015	<i>545,984</i>	<i>545,984</i>
Allowance for impairment losses (note 14)	(6,315)	(6,315)	<i>(2,640)</i>	<i>(2,640)</i>
	<hr/>	<hr/>	<hr/>	<hr/>
Total loans and advances to customers	735,386	735,386	<i>624,005</i>	<i>624,005</i>
	<hr/>	<hr/>	<hr/>	<hr/>
Of which repayable on demand or at short notice	<i>660,326</i>	<i>660,326</i>	<i>533,999</i>	<i>533,999</i>
	<hr/>	<hr/>	<hr/>	<hr/>

14. ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	2009	<i>2008</i>
	£000	<i>£000</i>
Specific allowances for impairment		
Balance at 1 April	2,230	<i>2,395</i>
Impairment loss for the year		
Charge for the year	4,061	<i>528</i>
Recoveries	(242)	<i>(601)</i>
Net charge/(recovery)	<hr/> 3,819	<hr/> <i>(73)</i>
Write-offs	(844)	<i>(92)</i>
	<hr/>	<hr/>
Balance at 31 March	5,205	<i>2,230</i>
	<hr/>	<hr/>
Collective allowance for impairment		
Balance at 1 April	410	<i>410</i>
Impairment loss for the year		
Charge for the year	700	<i>-</i>
	<hr/>	<hr/>
Balance at 31 March	1,110	<i>410</i>
	<hr/>	<hr/>
Total specific and collective impairment allowances	<hr/> 6,315	<hr/> <i>2,640</i>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	2009	<i>2008</i>	<i>2008</i>
	Group	Company	<i>Group</i>	<i>Company</i>
	£000's	£000's	<i>£000's</i>	<i>£000's</i>
Treasury bills	149,980	149,980	<i>199,094</i>	<i>199,094</i>
Government securities	19,861	-	<i>20,346</i>	<i>-</i>
Bank and building society - certificates of deposit	405,180	405,180	<i>139,866</i>	<i>139,866</i>
Bank and building society - other securities	251,029	251,029	<i>188,444</i>	<i>188,444</i>
Equity securities	25,055	-	<i>24,866</i>	<i>-</i>
Commercial paper	9,992	9,992		
Unquoted equity securities at cost	1	1	<i>1</i>	<i>1</i>
Debt securities with readily determinable fair values	28,145	5,998	<i>22,219</i>	<i>1,594</i>
Less specific allowances for impairment	(12,237)	(10,098)	<i>(423)</i>	<i>-</i>
	<hr/>	<hr/>	<hr/>	<hr/>
Total available-for-sale financial assets	877,006	812,082	<i>594,413</i>	<i>528,999</i>
	<hr/>	<hr/>	<hr/>	<hr/>

At 31 March 2009, a subsidiary company had uncalled subscription monies payable in respect of equity shares of £1,816,000 (2008 - £1,955,000).

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

16. INVESTMENT IN SUBSIDIARIES

The Company has the following investments in subsidiaries:

	Activity	% Owned	2009 £000	2008 £000
Shares at cost				
Messrs Hoare Trustees 20 shares of No Par Value	Trustee company	100	-	-
Mitre Court Property Holding Company 10,000 Ordinary £1 shares	Property investment	100	10	<i>10</i>
Hoare's Bank Pension Trustees Limited 1 Ordinary £1 shares	Pension scheme trustee	100	-	-
Hoares Bank Nominees Limited 72 ordinary £1 shares	Nominee company	100	-	-
			10	<i>10</i>
Advances			35,049	<i>30,340</i>

All companies are incorporated in Great Britain and are 100% owned directly by C Hoare & Co. There has been no change in ownership during the financial year.

17. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Investment Properties £000	Equipment £000	Total £000
Group				
Cost or valuation				
1 April 2008	<i>12,820</i>	<i>13,299</i>	<i>17,378</i>	<i>43,497</i>
Additions	-	25	1,431	1,456
Disposals	-	-	(837)	(837)
Transfers	5,000	(5,000)	-	-
Revaluations	(3,020)	(1,488)	-	(4,508)
			17,972	39,608
31 March 2009	14,800	6,836	17,972	39,608
Depreciation				
1 April 2008	-	-	<i>14,022</i>	<i>14,022</i>
Charge for year	-	-	1,365	1,365
Disposals	-	-	(837)	(837)
			14,550	14,550
31 March 2009	-	-	14,550	14,550
Net book value 31 March 2009	14,800	6,836	3,422	25,058
Net book value 31 March 2008	<i>12,820</i>	<i>13,299</i>	<i>3,356</i>	<i>29,475</i>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

17. TANGIBLE FIXED ASSETS (continued)

Company	Land and Buildings £000	Investment Properties £000	Equipment £000	Total £000
Cost or valuation				
1 April 2008	12,820	9,883	17,378	40,081
Additions	-	25	1,431	1,456
Disposals	-	-	(837)	(837)
Transfers	5,000	(5,000)	-	-
Revaluations	(3,020)	(1,133)	-	(4,153)
	14,800	3,775	17,972	36,547
Depreciation				
1 April 2008	-	-	14,022	14,022
Charge for year	-	-	1,365	1,365
Disposals	-	-	(837)	(837)
	-	-	14,550	14,550
Net book value 31 March 2009	14,800	3,775	3,422	21,997
Net book value 31 March 2008	12,820	9,883	3,356	26,059
	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
Land and buildings occupied for own activities:				
Net book value	14,000	14,000	10,800	10,800
At cost:				
Land and buildings	491	491	491	491
Investment properties	3,490	2,939	3,465	2,914
	3,981	3,430	3,956	3,405
Future capital expenditure				
-contracted but not provided in the accounts	1,296	1,296	365	365

All land and buildings and investment properties were valued on the 31 March 2009 by Mr J. Ball BA MRICS of Atisreal, Chartered Surveyors.

All valuations are on the basis of open market values. Deferred tax has not been recognised on the potential capital gains arising from the sale of the land and buildings or investment properties as there is no current contract or intention to sell. The latest estimate of capital gains tax is £1.2m on the property portfolio.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

18. DEFERRED TAX

Deferred tax assets are attributable to the following:

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
Fixed assets (equipment)	225	225	131	131
Unamortised balance of transition to FRS26 on 1st April 2006	(6)	108	(7)	124
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred tax assets	219	333	<i>124</i>	<i>255</i>
	<hr/>	<hr/>	<hr/>	<hr/>

The deferred tax balance at 31 March 2009 does not include any amounts in respect of the Bank's post-retirement pension scheme liability which is shown on the balance sheet after deduction of a deferred tax asset of £2,400,000 (*2008: £nil*).

19. OTHER ASSETS

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
Corporation tax	2,197	2,727	-	-
Settlement balances	328	328	1,160	1,160
Other assets	4	4	6	6
	<hr/>	<hr/>	<hr/>	<hr/>
	2,529	3,059	<i>1,166</i>	<i>1,166</i>
	<hr/>	<hr/>	<hr/>	<hr/>

20. PREPAYMENTS AND ACCRUED INCOME

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
Interest receivable	3,974	3,255	6,017	5,300
Other debtors and prepayments	1,441	1,199	1,318	1,293
	<hr/>	<hr/>	<hr/>	<hr/>
	5,415	4,454	<i>7,335</i>	<i>6,593</i>
	<hr/>	<hr/>	<hr/>	<hr/>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

21. DEPOSITS BY BANKS

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
Repayable on demand	128	128	<i>951</i>	<i>951</i>
	<hr/>	<hr/>	<hr/>	<hr/>

22. CUSTOMER ACCOUNTS

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
With agreed maturity dates or periods of notice By remaining maturity:				
-1 year or less but over 3 months	3,992	3,992	<i>4,432</i>	<i>4,432</i>
-3 months or less but not repayable on demand	916,809	916,809	<i>1,009,327</i>	<i>1,009,327</i>
	<hr/>	<hr/>	<hr/>	<hr/>
Repayable on demand	920,801	920,801	<i>1,013,759</i>	<i>1,013,759</i>
	833,051	833,051	<i>502,172</i>	<i>502,172</i>
	<hr/>	<hr/>	<hr/>	<hr/>
	1,753,852	1,753,852	<i>1,515,931</i>	<i>1,515,931</i>
	<hr/>	<hr/>	<hr/>	<hr/>
Including amount due to the Pension Fund	239	239	<i>184</i>	<i>184</i>
	<hr/>	<hr/>	<hr/>	<hr/>
Amount due to Subsidiary Companies		401		<i>328</i>
		<hr/>		<hr/>

23. OTHER LIABILITIES

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
Corporation tax	-	-	<i>(636)</i>	<i>(1,015)</i>
Settlement balances	6,015	6,015	<i>7,427</i>	<i>7,427</i>
Other liabilities	208	195	<i>242</i>	<i>236</i>
	<hr/>	<hr/>	<hr/>	<hr/>
	6,223	6,210	<i>7,033</i>	<i>6,648</i>
	<hr/>	<hr/>	<hr/>	<hr/>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

24. ACCRUALS AND DEFERRED INCOME

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
Interest payable	1,129	1,129	1,997	1,997
Other creditors and accruals	4,573	4,558	10,080	10,052
	<hr/>	<hr/>	<hr/>	<hr/>
	5,702	5,687	<i>12,077</i>	<i>12,049</i>
	<hr/>	<hr/>	<hr/>	<hr/>

25. CALLED UP SHARE CAPITAL

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
Authorised, allotted, called-up and fully paid:				
120 Ordinary shares of £1,000	120	120	120	120
	<hr/>	<hr/>	<hr/>	<hr/>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

26. RESERVES

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
(i) Reserve fund				
At 1 April	22,748	21,148	22,748	21,148
Movement for the year	-	-	-	-
31 March	<u>22,748</u>	<u>21,148</u>	<u>22,748</u>	<u>21,148</u>

The Managing Partners are authorised under the Articles of Association to set aside such profits as they think proper in the form of a Reserve Fund. This Reserve Fund can be applied in any purpose to which the profits of the Bank may be properly applied.

	2009 Group £000	2009 Company £000	<i>2008 Group £000</i>	<i>2008 Company £000</i>
(ii) Property revaluation reserve				
At 1 April	12,329	12,329	10,609	10,609
Transfer	4,970	4,970	-	-
Movement for the year	(3,020)	(3,020)	1,720	1,720
31 March	<u>14,279</u>	<u>14,279</u>	<u>12,329</u>	<u>12,329</u>

(iii) Investment property revaluation reserve				
At 1 April	9,834	6,969	9,576	7,536
Transfer	(4,970)	(4,970)	-	-
Movement for the year	(1,488)	(1,133)	258	(567)
31 March	<u>3,376</u>	<u>866</u>	<u>9,834</u>	<u>6,969</u>

(iv) Available-for-sale reserve				
At 1 April	(781)	(4,373)	6,888	(135)
Fair value losses taken to equity	(16,289)	(13,330)	(8,095)	(4,238)
Amounts transferred to profit and loss	1,486	1,385	423	-
Net Movement	(14,803)	(11,945)	(7,672)	(4,238)
Change in corporation tax rate	-	-	3	-
31 March	<u>(15,584)</u>	<u>(16,318)</u>	<u>(781)</u>	<u>(4,373)</u>
Total revaluation reserves	<u>2,071</u>	<u>(1,173)</u>	<u>21,382</u>	<u>14,925</u>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

26. RESERVES (CONTINUED)

	2009	2009	<i>2008</i>	<i>2008</i>
	Group	Company	<i>Group</i>	<i>Company</i>
	£000	£000	<i>£000</i>	<i>£000</i>
(v) Profit and loss account				
At 1 April	74,262	43,313	56,249	28,436
(Losses) / gains recognised under FRS 17	(5,738)	(5,738)	5,477	5,477
Retained profit for the year	9,997	12,174	12,545	9,410
Dividends	(6)	(6)	(6)	(6)
Change in corporation tax rate	-	-	(3)	(4)
	<hr/>	<hr/>	<hr/>	<hr/>
31 March	78,515	49,743	74,262	43,313
	<hr/>	<hr/>	<hr/>	<hr/>
(iv) Total reserves	103,334	69,718	<i>118,392</i>	<i>79,386</i>
	<hr/>	<hr/>	<hr/>	<hr/>

	2009	<i>2008</i>
	£000	<i>£000</i>
Reconciliation of movement in shareholders' funds		
Opening shareholders' funds	118,512	106,190
Profit for the financial year	9,997	12,545
Dividends	(6)	(6)
Available-for-sale reserve losses	(18,910)	(8,943)
Deferred tax thereon	4,107	1,271
Property revaluation reserve (losses)/gains	(4,508)	1,978
Actuarial gains and losses	(7,969)	7,825
Deferred tax and tax credits thereon	2,231	(2,348)
	<hr/>	<hr/>
Closing shareholders' funds	103,454	118,512
	<hr/>	<hr/>

C HOARE & CO AND ITS SUBSIDIARY COMPANIES
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

27. CONTINGENT LIABILITIES AND COMMITMENTS

The table below discloses the nominal principal amounts of contingent liabilities and commitments undertaken for customers as at 31 March 2009.

Guarantees include those given on behalf of a customer to stand behind the current obligations of the customer and to carry out those obligations should the customer fail to do so.

Performance bonds and other transaction related contingencies (which include HMRC VAT bonds) are undertakings where the requirement to make payment under the guarantee depends on the outcome of a future event.

Where guarantees are issued on behalf of customers, the Bank usually holds collateral against the exposure and has a right of recourse to the customer.

The Bank's maximum exposure is represented by the nominal principal amounts detailed in the table, should contracts be fully drawn upon and customers default. Consideration has not been taken of any possible recoveries from customers for payments made in respect of such guarantees under recourse provisions or from collateral held.

Contingent obligations and commitments are managed in accordance with the Bank's credit risk management policies.

	2009	2009	<i>2008</i>	<i>2008</i>
	Group	Company	<i>Group</i>	<i>Company</i>
	£000	£000	<i>£000</i>	<i>£000</i>
Guarantees	<u>23,015</u>	<u>23,015</u>	<i><u>23,583</u></i>	<i><u>23,583</u></i>
Letters of credit	5,165	5,165	<i>5,020</i>	<i>5,020</i>
Performance bonds and other transaction-related contingencies	1,624	1,624	<i>1,624</i>	<i>1,624</i>
	<u>6,789</u>	<u>6,789</u>	<i><u>6,644</u></i>	<i><u>6,644</u></i>
	<u>29,804</u>	<u>29,804</u>	<i><u>30,227</u></i>	<i><u>30,227</u></i>
Commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend				
Less than 1 year maturity	<u>244,029</u>	<u>244,029</u>	<i><u>171,326</u></i>	<i><u>171,326</u></i>

27. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

The Bank had leased two premises on long leases from the Pension Fund for operational use, these run to 2018 in respect of for Lowndes Street and expired on 18 December 2008 in respect of the Fleet Street property.

Annual commitments under non-cancellable operating leases are as follows:

Group	2009	<i>2008</i>
Operating leases which expire:	Land and	<i>Land and</i>
	Buildings	<i>buildings</i>
	£000	<i>£000</i>
Within one year	-	237,774
In the second to fifth years inclusive	-	-
Over five years	129,367	129,367
	<hr/>	<hr/>
	129,367	367,141
	<hr/>	<hr/>

FSCS Levy

The Financial Services Compensation Scheme ('FSCS') has provided compensation to consumers following the collapse of a number of deposit takers such as Bradford & Bingley plc. The compensation paid out to consumers is currently funded through loans from the Bank of England and HM Treasury. C. Hoare & Co. could be liable to pay a proportion of the outstanding borrowings that the FSCS has borrowed from HM Treasury which at 16 December 2008 stood at £19.7 billion. The Bank is also obligated to pay its share of forecast management expenses based on the Bank's market share of deposits protected under the FSCS. The Bank has accrued £1.6m as at 31 March 2009 in respect of the share of forecast management expense, including interest costs for the 2008/09 and 2009/10 levy years. This accrual is based on the Bank's estimated share of total market protected deposits at 31 December 2007 and 2008 respectively. However, the ultimate FSCS levy to the industry as a result of the 2008 collapses cannot currently be estimated reliably as it is dependent upon various uncertain factors including the potential recoveries of assets by the FSCS and changes in the interest rate, the level of protected deposits and the population of FSCS members at the time.

28. CONSOLIDATED CASH FLOW STATEMENT

	2009	<i>2008</i>	<i>Change</i>
	£000	<i>£000</i>	<i>in year</i>
			<i>£000</i>
Cash and Cash Equivalents			
Analysis of the balances of cash			
as shown in the consolidated cash flow statement			
Cash and balances at the Bank of England	567	<i>427</i>	
Loans and advances to banks repayable on demand	8,923	<i>40,753</i>	
	<hr/>	<hr/>	<hr/>
	9,490	<i>41,180</i>	<i>31,690</i>
	<hr/>	<hr/>	<hr/>

29. SEGMENTAL INFORMATION

All income and profits arise from the business of banking conducted in the United Kingdom. Full details of the profit and loss account for this business are disclosed in other parts of these financial statements.

30. MANAGING PARTNERS' LOANS

The aggregate amounts outstanding from the Managing Partners (including connected persons) of C. Hoare & Co. at 31 March 2009 were as follows:

	Aggregate amount outstanding £000	Number of Persons
Loans and credit transactions	2,737	7

These loans are fully secured on normal business margins.

31. ASSETS PLEDGED TO SECURE LIABILITIES

At 31 March 2009 the amount of assets pledged by the Bank to secure liabilities in respect of Lloyd's Guarantees given on behalf of customers, was £3,623,000 (2008 – £3,315,000). The secured liabilities outstanding amounted to £3,623,000 (2008 - £3,315,000).

32. RELATED PARTY TRANSACTIONS

The Bank has made payments to its Pension Fund in respect of rents on premises occupied by the Bank, the amount for the period was £258,000 (2008 - £388,000).

33. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The primary risks affecting the Bank are explained in the Managing Partner's Report on pages 3 to 4.

This note presents information about the Bank's exposure to each of the above risks and the Bank's approach to the management of each risk.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Bank's risk management. The Board has developed a risk management framework and established a risk register to monitor significant, identified risks within the organisation.

The Asset/Liability Management Committee (ALCO) meets on a monthly basis and is charged with overseeing the matching of the Bank's assets and liabilities, to review financial market activity and manage liquidity.

The Credit Policy Committee oversees customer pricing, security and overall exposure guidelines and sets lending parameters for approval by the Managing Partners.

The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit & Compliance Committee is responsible for monitoring compliance with, and effective operation of, the risk framework. Internal Audit undertake regular and ad-hoc reviews of risk management controls and procedures, the results of which are presented to the Audit & Compliance Committee, senior management, and the Board.

The Bank has a number of other committees to oversee operational risk areas such as Information Security and Disaster Recovery.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and to other banks and investment securities.

Management of credit risk

Responsibility for credit risk on customer lending resides with the lending department, monitored by the Credit Committee. Responsibility for credit risk relating to banks lies with Treasury, and that relating to investments lies with Investment Management; both these departments are overseen by the ALCO.

It is the Bank's policy to lend to customers against security. Unsecured lending is only entered into where, in the Managing Partners' view, the customer's circumstances make it prudent to do so. Limits are place on the aggregate lending to any one customer in accordance with regulatory guidelines. Lending is monitored against individual credit limits. All exposures are subject to an annual account review.

Interest payments and any capital repayments are generally serviced through a related current account. Therefore, past due events such as late payment or missed interest rarely occur and are thus not monitored as part of the credit risk management process.

33. FINANCIAL RISK MANAGEMENT (Continued)

Lending to banks is controlled by a restricted list of financial institutions with the main criteria for selection being the stability and reputation of the institution. These are mainly UK incorporated and authorised by the Financial Services Authority. All lending is undertaken within limits, which are regularly reviewed by the ALCO and approved by the Managing Partners.

The Bank's investment portfolio (equity and fixed interest) are held as part of a balanced portfolio. The asset allocation is agreed by the Board and the performance of the portfolio is reviewed monthly by the ALCO.

Exposure to credit risk

The table overleaf analyses the lending assets and investment securities by default categories.

During the year the Bank incurred losses on two Floating Rate Notes issued by Washington Mutual Bank Inc. in the U.S.A. and by Singer & Friedlander Funding Plc in the United Kingdom. The total exposure of £10,097,000 has been fully impaired pending the resolution of administration and liquidation of these organisations.

With the deterioration in the UK economy in the latter part of the year, the Bank has maintained its rigorous approach in assessing potential risk in the customer loan book; this has led to an increase in the number of accounts classified as medium risk on the "watch list" over the previous year. The value of individually impaired customer loans has increased by £37,521,000 over the previous year, the major part of which is in relation to an AIG related exposure detailed below.

During the year, the Bank made facilities available to a number of customers who had invested in the AIG Enhanced Fund and required access to their investment ahead of the three year redemption lock-out announced by AIG following a run on the fund's assets in September 2008. These facilities were made at C Hoare base rate on a non-recourse basis and relied upon the redemption of the underlying investment and any gains to repay the capital and accumulated interest, with an underpinning guarantee of the principal from the UK subsidiary of AIG ("Alico"). Since the Bank may not recover interest on these facilities this has been provided for as impairment. As at 31 March 2009, the total balance outstanding was £25,525,000 with impaired interest of £115,000. This is the principal cause of the increase in the value of customer loans and advances subject to individual impairment.

A full analysis of impairments and watch list values across the Bank's customer, bank and investment portfolios is shown overleaf.

33. FINANCIAL RISK MANAGEMENT (Continued)

<i>In thousands of pounds</i>	Loans and advances to customers		Loans and advances to banks		Available-for-sale financial assets	
	2009	2008	2009	2008	2009	2008
Balance sheet:						
Carrying amount	735,386	624,005	222,444	391,336	877,006	594,413
Individually Impaired	39,838	2,317	-	-	13,894	2,804
Allowance for impairment	(5,205)	(2,230)	-	-	(12,236)	(423)
Carrying Amount	34,633	87	-	-	1,658	2,381
Assets not subject to impairment or on watch list	560,856	510,329	222,444	391,336	875,348	592,032
Watch list loans						
• High risk	11,546	21,259	-	-	-	-
• Medium risk	129,461	92,740	-	-	-	-
Allowance for collective Impairment	(1,110)	(410)	-	-	-	-
Carrying amount	735,386	624,005	222,444	391,336	877,006	594,413
Off balance sheet:						
Guarantees	23,015	23,583	-	-	-	-
Letters of credit and performance bonds	6,789	6,644	-	-	-	-
Commitments	244,029	171,326	-	-	1,816	1,955
Total credit risk exposure	1,009,219	825,558	222,444	391,336	878,822	596,368

33. FINANCIAL RISK MANAGEMENT (Continued)

The credit risk classifications used in the preceding table are:

Impaired loans and securities

The Bank regularly assesses whether there is objective evidence that any loans or securities are impaired. Loans and securities are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. The Bank does not perform any further analysis or grading of impaired loans.

Watch list loans

Watch list loans are loans where there is doubt as to the certainty of future principal and interest but there has not been objective evidence of a loss event that warrants a full impairment assessment to be made. These are assessed by the relationship managers and graded high, medium and low to highlight exposures which require closer management attention because of their greater probability of default and potential loss. For reporting purposes low risk balances are not disclosed.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to identified exposures, and a collective loan impairment allowance in respect of losses that have been incurred but have not been identified at the reporting date.

Impairment losses on the lending to banks and the securities portfolio are established when there has been a sustained decrease in value over an extended period, or where it is expected that a fixed income investment will not meet its future cash flow obligations.

Write-off policy

Bad debts are usually written off in the event of bankruptcy/insolvency of a customer. However, as it is always possible that a customer may acquire assets in the future, debts are often left, fully provisioned, as an aide memoire of the position. Bad debts will then be written off when there is absolute certainty that the residual sums are uncollectible.

Collateral

The Bank holds collateral against loans and advances to customers in the form of charges over property, investment securities, other assets and guarantees. Estimates of fair value are based upon the value of collateral assessed at the time of borrowing, and generally are not updated except when further lending is required or a loan is assessed as impaired. Collateral is not held against loans to other banks or investment securities. At 31 March 2009, the value of property collateral recorded against customer facilities was £2,177m (2008: £2,026m). The estimated value of collateral against the impaired customer lending is £9.5m (2008: £0.3m).

Renegotiated Lending

The Bank maintains direct contact with all borrowers through the Relationship Manager. Over the life of a loan, should the customer's ability to service or repay become compromised in any way the loan is placed on a watch-list as low, medium or high risk depending upon the degree of stress as determined by the Relationship manager and/or Credit Committee. Where the Bank believes the ability to repay is in doubt, the account will be treated as doubtful and a provision raised. The Bank does not renegotiate terms in the normal course of business. Accordingly, there is no separate disclosure in the accounts for "Renegotiated loans".

(c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

C HOARE & CO AND ITS SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2009

33. FINANCIAL RISK MANAGEMENT (Continued)

Management of liquidity risk (continued)

The treasury department prepares projected daily cash flows and then seeks to maintain a portfolio of short-term liquid assets largely made up of liquid securities, short-term loans and advances to banks to broadly match the timing of the predicted cash flows.

Exposure to liquidity risk

The Bank's exposure to liquidity risk is summarised in the following tables which show the contractual maturity of obligations to repay monies to other banks and to customers.

	Carrying Amount	Next day	Less than 1 month	1 to 3 months	3 months to 1 year
As at 31 March 2009	£000	£000	£000	£000	£000
Balance sheet					
Deposits from banks	128	128	-	-	-
Deposits from customers	1,753,852	936,642	630,536	182,682	3,992
Off balance sheet					
Undrawn customer facilities	244,029	244,029	-	-	-
Guarantees, Letters of Credit and Performance Bonds	29,804	29,804	-	-	-
Total Liabilities	2,027,813	1,210,603	630,536	182,682	3,992

	Carrying Amount	Next day	Less than 1 month	1 to 3 months	3 months to 1 year
As at 31 March 2008	£000	£000	£000	£000	£000
Balance sheet					
Deposits from banks	951	951	-	-	-
Deposits from customers	1,515,931	706,551	729,563	75,385	4,432
Off balance sheet					
Undrawn customer facilities	171,326	171,326	-	-	-
Guarantees, Letters of Credit and Performance Bonds	30,227	30,227	-	-	-
Total Liabilities	1,718,435	909,055	729,563	75,385	4,432

The previous tables show the undiscounted cash flows on the Bank's financial liabilities and undrawn customer facilities on the basis of their earliest possible contractual maturity. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; undrawn loan commitments are not all expected to be drawn down immediately nor are all guarantees, letters of credit or performance bonds likely to be called at once.

33. FINANCIAL RISK MANAGEMENT (Continued)Exposure to liquidity risk (continued)

The key measure for liquidity risk is the Stock Liquidity Ratio (SLR) of liquid assets against short-term customer deposits. This is calculated daily and reported to the ALCO each month. The minimum permitted level is 100%. The recorded ratios over the last year are as follows:

	2009	2008
31 March	776.2%	758.0%
Average month end ratio	1,076.2%	136.4%
Maximum month end ratio	1,881.5%	145.5%
Minimum month end ratio	464.7%	126.7%

During the year, in response to general uncertainty and lack of liquidity in the wholesale money markets, the Bank substantially increased the level of liquid balances through holdings of Gilts, Treasury Bills and short term loans to the Debt Management Office and the Bank of England. This is reflected in the high SLR ratios shown above. During the coming year new liquidity measures and rules will come into force from the FSA and the Bank will manage its liquidity profile accordingly.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the residual risk taken.

Management of market risk

Interest rate risk arising from the mismatching of the Bank's lending and deposits is actively managed. The majority of the advances and deposits are priced off base rates and margins are closely monitored and evaluated. The sensitivity to interest rate changes in terms of interest cash flows and effects on fixed interest stock values is computed and reported to the ALCO.

Cash flows from active derivative instruments are spread over the period to which the cash flow relates. The Bank accrues up the differential payment/receipt on the Interest Rate swap for the current quarter adjusting fair values accordingly.

Equity and other investment prices are monitored and the investment portfolio is revalued monthly and reported to the ALCO. The portfolio is managed in defined segments and decisions on profit taking or stop-loss are taken by the investment manager.

Foreign currency balances are driven by customer demand. As with sterling there are surplus currency deposits over currency lending, although this does not form a significant part of the balance sheet. Currency positions are managed in treasury by lending surplus funds to other banks and/or taking forward foreign exchange agreements to cover expected future cash flows.

Exposure to market risks

The principal market risk to which the Bank is exposed is the risk of loss from fluctuations in the future cash flows because of a change in market interest rates. Interest rate risk is managed by the Bank's treasury department principally through monitoring interest rate gaps with assets and liabilities based upon the next interest re-fixing date as against the contractual maturity of the instruments. The ALCO oversees management of this risk.

33. FINANCIAL RISK MANAGEMENT (Continued)

A summary of the Bank's interest rate gap position is as follows:

<i>Thousands of pounds</i>	Carrying Amount	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years
As at 31 March 2009						
Assets:						
Loans and advances to banks	222,444	214,124	7,811	-	-	509
Loans and advances to customers	735,386	699,151	2,150	-	27,684	6,401
Interest bearing available for sale financial assets	854,089	812,081	-	4,189	13,988	23,831
Total assets	1,811,919	1,725,356	9,961	4,189	41,672	30,741
Liabilities						
Deposits by banks	128	128	-	-	-	-
Customer accounts	1,753,852	1,749,861	3,215	776	-	-
Total liabilities	1,753,980	1,749,989	3,215	776	-	-
Derivatives		9,000			(9,000)	
Interest rate gap	57,939	(15,633)	6,746	3,413	32,672	30,741
<i>Thousands of pounds</i>	Carrying Amount	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years
As at 31 March 2008						
Assets:						
Loans and advances to banks	391,336	391,084	-	-	-	252
Loans and advances to customers	624,005	600,950	200	4,655	13,788	4,412
Debt securities	569,970	457,405	46,594	25,000	10,837	30,134
Total assets	1,585,311	1,449,439	46,794	29,655	24,625	34,798
Liabilities						
Deposits by banks	951	951	-	-	-	-
Customer accounts	1,515,931	1,511,499	3,140	1,292	-	-
Total liabilities	1,516,882	1,512,450	3,140	1,292	-	-
Derivatives		4,000			(4,000)	
Interest rate gap	68,429	(59,011)	43,654	28,363	20,625	34,798

33. FINANCIAL RISK MANAGEMENT (Continued)Exposure to market risk (continued)

The impact of a potential 0.25% change in base rates is assessed at the end of each month and reported to the ALCO. Using the interest repricing dates for the sterling interest bearing assets and liabilities, the impact of a 0.25% rise, or fall depending upon perceived market direction, is calculated on annualised interest flows. At the same time the impact upon the market value fixed rate bonds and government securities from a 0.25% rise/fall in rates is assessed using a modified duration calculation. This value is normally the opposite of the interest flow impact. Assessment of larger rate changes can be made by applying multiples of the values reported.

The reported interest rate sensitivity on the year end balance sheet and fixed interest instrument holdings was as follows:

<i>Effect of a 1.00% rise in UK Bank Base Rates</i>	31 March 2009 £000	<i>31 March 2008 £000</i>
Short term interest flows; profit and loss impact	1,000	396
Change in bond market value	(1,172)	(2,524)

The interest rate sensitivities set out above are illustrative only and are based on simplified scenarios. The figures represent the effect on net interest income and fixed interest security values arising from a parallel fall or rise in the yield curve and do not take into account the effect of any further actions to mitigate the effect.

Exposure to currency risk

The table below shows the Bank's currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account and the exposure to foreign currency risk. Such exposures comprise the monetary assets and liabilities of the Bank that are not denominated in sterling.

	2009 £000	<i>2008 £000</i>
US dollar	477	180
Euro	250	130
Other	81	481
	_____	_____
Total	808	791
	=====	=====

The Bank's treasury department is responsible for managing currency risk within intra-day and overnight limits established by ALCO.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

33. FINANCIAL RISK MANAGEMENT (Continued)

Management of operational risk

The Board undertook an annual review the Bank's risk framework during the year. This framework establishes the process through which operational risks are identified and evaluated. There is continuing work on risk awareness enhancing and updating the risk register with regular reporting to the Executive Group and the Board. Historic experience losses from operational risk are low. Through training and general staff awareness, the Board's objective is to minimise operational losses wherever possible. As noted in the Managing Partners' Report, the Bank enhanced its approach to operational risk management, which was previously under the Basel II 'Basic Indicator' approach to the 'Standardised Approach'.

(f) Fair values of financial assets and liabilities

Financial instruments include financial assets, financial liabilities and derivatives. The fair value of a financial instrument is the amount the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair value of financial instruments is based on market prices where available and for unlisted investment securities they are based upon the net asset valuations provided by the Fund Managers. Financial instruments which are short term in nature or re-price frequently, their fair values approximate to the carrying value.

The following sets out the Bank's basis of establishing fair values for each category of financial instruments.

- Cash and balances at central banks. The fair value is their carrying value.
- Treasury bills and other eligible bills. The fair value is determined using market prices.
- Derivatives. The fair value is their carrying value. For interest rate swaps and interest rate caps, market valuations are used in determining the fair value. For forward exchange contracts, the fair value is estimated by discounting the contractual forward price and deducting the current spot rate.
- Loans and advances to banks. The fair value of floating rate placements and overnight deposits is their carrying value.
- Loans and advances to customers: The majority of loans are variable rate and re-price in response to changes in market rates and hence the fair value has been estimated as the carrying value. For fixed rate loans, the fair value is their amortised cost and this equates to their carrying value once an allowance for credit risk is included.
- Debt securities and equity shares. The fair values of listed investment securities are based upon quoted market prices where available. Unlisted investment securities are based upon net asset valuations provided by the Fund Managers.
- Available-for-sale financial assets. The fair values of listed investment securities are based upon quoted market prices where available. Unlisted investment securities are based upon net asset valuations provided by the Fund Managers.
- Deposits from banks and customers. The estimated fair value of deposits with no stated maturity, which includes non interest bearing deposits, is the amount repayable on demand.

(g) Capital management and allocation

The Bank's capital management and allocation of capital for regulatory purposes is detailed in section 4 of the Managing Partners Report on page 5.