Company Registered Number: 000001C

ISLE OF MAN BANK LIMITED

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

31 December 2017

ISLE OF MAN BANK LIMITED

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ISLE OF MAN BANK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	Stephen John Camm (Chairman) Lynn Ann Cleary Christopher Byron Corkill Paul David Morris Paul Thomas Smith
SECRETARY:	Kenneth Ian Maddrell
REGISTERED OFFICE:	2 Athol Street Douglas Isle of Man IM99 1AN
AUDITOR:	Ernst & Young LLC Rose House 51 – 59 Circular Road Douglas Isle of Man IM1 1AZ

ISLE OF MAN BANK LIMITED

REPORT OF THE DIRECTORS

The directors of Isle of Man Bank Limited ("the Company") present their annual report, together with the audited financial statements of the Company for the year ended 31 December 2017. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS).

ACTIVITIES AND BUSINESS REVIEW

Principal activities

The main activity of the Company is to provide a wide range of banking and other financial services.

The directors do not anticipate any material change in either the type or level of activities of the Company.

Business review

The Company's financial performance is presented in the Income Statement on page 7.

The operating profit before tax for the year was £9,368k (2016: £9,444k).

Other matters

The Company's principal business activities are banking services including the taking of deposits and lending in the Isle of Man. Deposits not used to provide third party lending are placed with fellow subsidiaries of The Royal Bank of Scotland Group plc ("RBS"). The financial position of these, and hence ultimate recoverability of these placements, is a key exposure of the Company.

Accounting policies

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Details of the Company's accounting policies and key sources of estimation uncertainty are included within the Accounting policies on pages 12 to 20.

Risk management

The prevailing market and economic conditions pose risks for the Company. These include the level of defaults from customers on outstanding advances as well as the degree of uncertainty in the valuation of other financial assets and liabilities. The financial position of the Company, its cash flows, liquidity position, and borrowing facilities are set out in the financial statements. In addition notes 7 and 16 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit and liquidity risks.

The Board has delegated its authority for day to day risk management to the executive management sitting on committees as detailed in note 16. The Board approves any changes in inter-bank lending lines and in limits governing currency and interest rate exposures. The Board policy is not to enter into derivative transactions for trading purposes, but to undertake such contracts to hedge or reduce the volatility in interest income and foreign exchange. The Company's actual derivative transactions are outlined in note 11 to these financial statements. Further details of the Company's risk management policies are highlighted in note 16 to the financial statements.

Outlook

The directors are satisfied with the financial position of the Company and believe that they are appropriately placed to manage their business risks successfully.

The purpose of this report is to provide information to the members of the Company and it is addressed to them as such. Forward looking statements by their nature involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such statements.

ISLE OF MAN BANK LIMITED

REPORT OF THE DIRECTORS

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position, including potential risks and uncertainties, are set out in the Business Review above. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, notes 7 and 16 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Report of the Directors and the financial statements.

DIVIDENDS

A dividend of £3,000k was approved on 12 December 2017 (2016: £16,000k).

DIRECTORS AND SECRETARY

The present directors and secretary, who served at any time during the financial year and up to the date of signing, are listed on page 1.

From 1 January 2017 to date, the following changes have taken place.

	Appointed	Resigned
Directors		
Kirsten Land	-	19 January 2018
Christopher Byron Corkill	8 February 2018	-

STAFF

The directors wish to thank all the management and staff for the contribution made by them towards achieving these results.

INDEPENDENT AUDITOR

Ernst & Young LLC has expressed its willingness to continue in office as auditor in accordance with section 12 (2) of the Companies Act 1982. A resolution to re-appoint Ernst & Young LLC as the Company's auditor will be proposed at the forthcoming AGM.

POST BALANCE SHEET EVENTS

There have been no significant events between the year end and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.

By order of the Board:

Stephen John Camm
Chairman

Lynn Ann Cleary
Director

ISLE OF MAN BANK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. The directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board. In preparing these financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards as issued by the International Accounting Standards Board have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By order of the Board:

Stephen John Camm Chairman	Lynn Ann Cleary Director

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF MAN BANK LIMITED

Opinion

We have audited the financial statements of Isle of Man Bank Limited (the "Company") for the year ended 31 December 2017 which comprise Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been prepared in accordance with the requirements of the Companies Acts 1931 to 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Isle of Man, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Use of our Report

This report is made solely to the Company's members, as a body, pursuant to Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.
Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Acts 1931-2004 requires us to report to you if, in our opinion:

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF MAN BANK LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLC

Ernst & Young LLC
Chartered Accountants
Isle of Man
Date: 23 March 2018

ISLE OF MAN BANK LIMITED

INCOME STATEMENT *for the year ended 31 December 2017*

Continuing operations	Note	2017 £'000	2016 £'000
Interest receivable		23,621	26,030
Interest payable		(7,340)	(9,174)
Net interest income	1	16,281	16,856
Fees and commission receivable		4,800	4,818
Other operating income	2	758	324
Non-interest income		5,558	5,142
Total income		21,839	21,998
Operating expenses	3	(12,421)	(12,382)
Operating profit before impairment losses		9,418	9,616
Impairment losses	8	(50)	(172)
Operating profit before tax		9,368	9,444
Tax charge	5	(836)	(965)
Profit for the year		8,532	8,479

The accompanying accounting policies and notes form an integral part of these financial statements.

ISLE OF MAN BANK LIMITED

STATEMENT OF COMPREHENSIVE INCOME *for the year ended 31 December 2017*

	Note	2017 £'000	2016 £'000
Profit for the year		**8,532**	8,479
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on defined benefit schemes	4	**(1,720)**	(1,445)
Deferred taxation on actuarial movements on defined benefit schemes	13	**172**	179
Other comprehensive losses for the year after tax		**(1,548)**	(1,266)
Total comprehensive income for the year		**6,984**	7,213

The accompanying accounting policies and notes form an integral part of these financial statements.

ISLE OF MAN BANK LIMITED

BALANCE SHEET *as at 31 December 2017*

	Note	2017 £'000	Restated [1] 2016 £'000	Restated [1] 2015 £'000
Assets				
Cash and balances at central banks	7	**18,265**	17,625	17,674
Loans and advances to banks	7	**994,587**	849,112	793,111
Loans and advances to customers	7	**599,178**	591,689	583,894
Derivatives	7,11	**841**	3,448	1,649
Property, plant and equipment	10	**3,930**	3,123	3,540
Prepayments, accrued income and other assets		**6,170**	4,328	2,161
Retirement benefit assets	4,7	**7,521**	9,140	6,427
Total assets		**1,630,492**	1,478,465	1,408,456
Liabilities				
Deposits by banks	7	**33,672**	36,600	51,846
Customer accounts	7	**1,498,417**	1,340,675	1,254,688
Derivatives	7,11	**14,513**	18,784	14,069
Accruals, deferred income and other liabilities	12	**5,436**	8,118	4,325
Current tax liabilities		**863**	519	1,234
Deferred tax liabilities	13	**752**	914	652
Total liabilities		**1,553,653**	1,405,610	1,326,814
Equity				
Shareholder's equity:				
Called up share capital	14	**7,501**	7,501	7,501
Reserves		**69,338**	65,354	74,141
Total equity	7	**76,839**	72,855	81,642
Total liabilities and equity		**1,630,492**	1,478,465	1,408,456

[1] For the details of restatement, refer note 23.

The accompanying accounting policies and notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 22|3|18 and signed on its behalf by:

Stephen John Camm
Chairman

Lynn Ann Cleary
Director

ISLE OF MAN BANK LIMITED

STATEMENT OF CHANGES IN EQUITY *for the year ended 31 December 2017*

	Note	2017 £'000	2016 £'000
Called up share capital			
At 1 January and 31 December		**7,501**	7,501
Retained earnings			
At 1 January		**65,354**	74,141
Actuarial losses recognised in defined benefit schemes	4	**(1,720)**	(1,445)
Deferred taxation on actuarial movements recognised on defined benefit schemes	13	**172**	179
Dividends paid	6	**(3,000)**	(16,000)
Profit for the year		**8,532**	8,479
At 31 December		**69,338**	65,354
Shareholder's equity at 31 December		**76,839**	72,855

The accompanying accounting policies and notes form an integral part of these financial statements.

ISLE OF MAN BANK LIMITED

CASH FLOW STATEMENT *for the year ended 31 December 2017*

	Note	2017 £'000	2016 £'000
Operating activities			
Operating profit for the year before tax		9,368	9,444
Adjustments for:			
Pension charge for defined benefit schemes	4	538	514
Cash contribution to defined benefit pension schemes	4	(639)	(4,672)
Gain on sale of assets	2	(50)	(324)
Depreciation of property, plant and equipment	10	296	64
Loan impairment provisions net of recoveries		(35)	(3)
Other non-cash items		11	(143)
Net cash inflows from trading activities	18	9,489	4,880
Changes in operating assets and liabilities	18	(6,237)	12,154
Net cash flows from operating activities before tax		3,252	17,034
Tax paid	18	(482)	(1,239)
Net cash flows from operating activities		2,770	15,795
Investing activities			
Purchase of property, plant & equipment		-	-
Sale of property, plant & equipment		211	682
Net cash flows from investing activities		211	682
Financing activities			
Dividends paid	6	(3,000)	(16,000)
Net cash flows used in financing activities		(3,000)	(16,000)
Effect of exchange rate changes on cash and cash equivalents		(6)	83
Net increase in cash and cash equivalents		(25)	560
Cash and cash equivalents 1 January		19,355	18,795
Cash and cash equivalents 31 December	19	19,330	19,355

The accompanying accounting policies and notes form an integral part of these financial statements.

ISLE OF MAN BANK LIMITED

ACCOUNTING POLICIES

1. Preparation and presentation of financial statements

The financial statements are prepared on a going concern basis and in accordance with IFRS issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS).

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial assets and financial liabilities designated at fair value through profit or loss and derivative financial instruments. Recognised financial assets and financial liabilities in fair value hedges are adjusted for changes in fair value in respect of the risk that is hedged.

The Company is incorporated and registered in the Isle of Man.

The Company adopted two revisions to IFRSs effective 1 January 2017:

In January 2016, the IASB amended IAS 7 'Cash Flow Statements' to require disclosure of the movements in financing liabilities.

In January 2016, the IASB amended IAS 12 'Income taxes' to clarify the recognition of deferred tax assets in respect of unrealised losses.

Neither of these amendments has had a material effect on the Company's financial statements.

2. Consolidated financial statements

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. Under the provisions of section 4 of the Companies Act 1982 the Company has not prepared consolidated financial statements as in the directors' opinion it would be of no real value to the members of the Company due to the insignificant amounts involved. Furthermore the Company is exempt under IFRS 10 'Consolidated Financial Statements' from the requirement to prepare consolidated financial statements as the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its ultimate holding company, The Royal Bank of Scotland Group plc, a company registered in Scotland.

3. Revenue recognition

Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit or loss is determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable, that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Fees in respect of services are recognised as the right to consideration accrues through the provision of the service to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as the service is rendered. The price is usually fixed and always determinable. The application of this policy to significant fee types is outlined below.

Payment services: This comprises income received for payment services including cheques cashed, direct debits, Clearing House Automated Payments (the UK electronic settlement system) and BACS payments (the automated clearing house that processes direct debits and direct credits). These are generally charged on a per transaction basis. The income is earned when the payment or transaction occurs. Charges for payment services are usually debited to the customer's account, monthly or quarterly in arrears. Income is accrued at year end for services provided but not charged.

4. Pensions and other post-retirement benefits

The Company provides post-retirement benefits in the form of pensions to eligible employees.

Contributions to defined contribution pension schemes are recognised in the income statement when payable.

For defined benefit schemes, the defined benefit obligation is measured on an actuarial basis using the projected credit unit method and discounted at a rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds of equivalent term and currency to the scheme liabilities. Scheme assets are measured at their fair value. The difference between scheme assets and scheme liabilities – the net defined benefit asset or liability – is recognised in the balance sheet with a charge to the statement of other comprehensive income. A defined benefit asset is limited to the present value of any economic benefits available to the Company in the form of refunds from the plan or reduced contributions to it.

4. Pensions and other post-retirement benefits (continued)

The charge to profit or loss for pension costs (recorded in operating expenses) comprises:

- the current service cost
- interest, computed at the rate used to discount scheme liabilities, on the net defined benefit liability or asset
- past service cost resulting from a scheme amendment or curtailment
- gains or losses on settlement

A curtailment occurs when the Company significantly reduces the number of employees covered by a plan. A plan amendment occurs when the Company introduces, or withdraws, a defined benefit plan or changes the benefits payable under an existing defined benefit plan. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the net defined benefit obligation increases) or negative (when benefits are withdrawn or changed so that the present value of the defined benefit obligation decreases). A settlement is a transaction that eliminates all further obligations for part or all of the benefits.

Actuarial gains and losses (i.e. gains or losses on re-measuring of the net defined benefit asset or liability) are recognised in full in the year in which they arise in other comprehensive income.

5. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for separately.

Depreciation is charged to the income statement on a straight-line basis so as to write off the depreciable amount of property, plant and equipment (including assets owned and let on operating leases) over their estimated useful lives.

The depreciable amount is the cost of an asset less its residual value. Freehold land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	50 years
Property adaptation costs	10 years
Computer equipment	up to 5 years
Other equipment	5 to 15 years

The residual value and useful life of property, plant and equipment are reviewed at each balance sheet date and updated for any changes to previous estimates.

6. Impairment of property, plant and equipment

At each reporting date, the Company assesses whether there is any indication that its property, plant and equipment is impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and the impairment loss if any.

If an asset does not generate cash flows that are independent from those of other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been taken into account in estimating future cash flows. If the recoverable amount of a tangible asset is less than its carrying value, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset reduced by the amount of the loss. A reversal of an impairment loss on property, plant and equipment is recognised as it arises provided the increased carrying value is not greater than it would have been had no impairment loss been recognised.

7. Foreign currencies

The Company's financial statements are presented in Sterling, which is the functional currency of the Company.

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on financial liabilities hedging net investments in foreign operations. Non-monetary items denominated in foreign currencies that are stated at fair value are translated into Sterling at foreign exchange rates ruling at the dates the values were determined.

8. Leases

As lessor
Contracts with customers to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer; all other contracts with customers to lease assets are classified as operating leases.

Finance lease receivables are included in the balance sheet, within Loans and advances to customers, at the amount of the net investment in the lease being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease. Finance lease income is allocated to accounting periods so as to give a constant periodic rate of return before tax on the net investment and included in Interest receivable. Unguaranteed residual values are subject to regular review; if there is a reduction in their value, income allocation is revised and any reduction in respect of amounts accrued is recognised immediately.

As lessee
Operating lease rental expense is included in Administration costs and recognised as an expense on a straight-line basis over the term of the relevant lease.

9. Provisions and contingent liabilities

The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

10. Tax

Income tax expense or income, comprising current tax and deferred tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in profit or loss, other comprehensive income or equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date, taking into account relief for overseas tax where appropriate.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

11. Financial assets

On initial recognition financial assets are classified into loans and receivables.

Loans and receivables - non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale or designated at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method (see accounting policy 3) less any impairment losses.

Fair value – fair value for a net open position in a financial asset that is quoted in an active market is the current bid price multiplied by the number of units of the instrument held. Fair values for financial assets not quoted in an active market are determined using appropriate valuation techniques including discounting future cash flows, option pricing models and other methods that are consistent with accepted economic methodologies for pricing financial assets.

ACCOUNTING POLICIES

12. Impairment of financial assets

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

Financial assets carried at amortised cost – if there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the Company measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant. Future cash flows from these financial assets are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted, on the basis of observable data, to reflect current conditions not affecting the period of historical experience. Impairment losses are recognised in the income statement and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset or group of financial assets, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted in measuring impairment.

Impaired loans and receivables are written-off, i.e. the impairment provision is applied in writing down the loan's carrying value partially or in full, when the Company concludes that there is no longer any realistic prospect of recovery of part or all of the loan. For loans that are individually assessed for impairment, the timing of write off is determined on a case-by-case basis. Such loans are reviewed regularly and write offs will be prompted by bankruptcy, insolvency, renegotiation and similar events.

Amounts recovered after a loan has been written off are credited to the loan impairment charge for the period in which they are received.

Financial assets carried at fair value – when a decline in the fair value of a financial asset classified as available-for-sale has been recognised directly in other comprehensive income and there is objective evidence that it is impaired, the cumulative loss is reclassified from equity to profit or loss. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available-for-sale equity instruments are not reversed through the income statement, but those on available-for-sale debt instruments are reversed, if there is an increase in fair value that is objectively related to a subsequent event.

For certain categories of financial assets, such as drawn credit facilities, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of credit facilities could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

13. Financial liabilities

On initial recognition financial liabilities are classified into amortised cost. Issues of financial liabilities measured at amortised cost are recognised on settlement date; all other regular way transactions in financial liabilities are recognised on trade date.

Amortised cost - all other financial liabilities are measured at amortised cost using the effective interest method (see accounting policy 3).

Fair value - fair value for a net open position in a financial liability that is quoted in an active market is the current offer price multiplied by the number of units of the instrument held or issued. Fair values for financial liabilities not quoted in an active market are determined using appropriate valuation techniques including discounting future cash flows, option pricing models and other methods that are consistent with accepted economic methodologies for pricing financial liabilities.

14. Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Company either (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Company assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. The asset remains on the balance sheet if substantially all the risks and rewards have been retained. It is derecognised if substantially all the risks and rewards have been transferred. If substantially all the risks and rewards have been neither retained nor transferred, the Company assesses whether or not it has retained control of the asset. If the Company has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement; if the Company has not retained control of the asset, it is derecognised.

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

15. Netting

Financial assets and financial liabilities are offset and the net amounts presented in the balance sheet when, and only when, the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Company is party to a number of arrangements, including master netting agreements, that give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts net or simultaneously and therefore the assets and liabilities concerned are presented gross.

16. Derivatives and hedging

Derivative financial instruments are initially recognised, and subsequently measured, at fair value through profit or loss. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived from prices for the derivative's components using appropriate pricing or valuation models.

A derivative embedded in a contract is accounted for as a stand-alone derivative if its economic characteristics are not closely related to the economic characteristics of the host contract; unless the entire contract is measured at fair value through the income statement.

Gains and losses arising from changes in the fair value of derivatives that are not the hedging instrument in a qualifying hedge are recognised as they arise in the income statement.

The Company has entered into fair value hedge relationships which account for changes in the fair value of a recognised asset or liability or firm commitment.

Hedge relationships are formally documented at inception. The documentation includes identification of the hedged item and the hedging instrument, details the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in offsetting changes in fair values attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued. Hedge accounting is also discontinued if the Company revokes the designation of a hedge relationship.

Fair value hedge – in a fair value hedge, the gain or loss on the hedging instrument is recognised in the income statement. The gain or loss on the hedged item attributable to the hedged risk is recognised in the income statement and, where the hedged item is measured at amortised cost, adjusts the carrying amount of the hedged item. Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting; or if the hedging instrument expires or is sold, terminated or exercised; or if hedge designation is revoked. If the hedged item is one for which the effective interest rate method is used, any cumulative adjustment is amortised to the income statement over the life of the hedged item using a recalculated effective interest rate.

17. Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

18. Investment in subsidiary

The Company's investment in its subsidiary is stated at cost less any accumulated impairment losses.

ACCOUNTING POLICIES

Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard of interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's 'Conceptual Framework for Financial Reporting'.

The judgements and assumptions involved in the Company's accounting policies that are considered by the Board of Directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Loan impairment provisions

The Company provides for losses existing in its lending book so as to state its loan portfolio at its expected ultimate net recoverable value.

Provisions against large exposures are established individually whilst those for smaller balances are established collectively. There are two components to the Company's loan impairment provisions: individual and latent.

Individual assessment of loans and advances comprises a review of the financial condition of the borrower and any guarantor and takes into account the customer's debt capacity and financial flexibility; the level and quality of earnings; the amount and sources of cash flows; the industry in which the customer operates; and the realisable value of any security held. The most significant estimates that affect the quantum of any specific provision are the amounts and timing of receipts from the borrower or recoveries from any security held. These estimates take into account the customer's debt capacity and financial flexibility; the level and quality of its earnings; the amount and sources of cash flows; the industry in which the counterparty operates; and the realisable value of any security held. Estimating the quantum and timing of future recoveries involves significant judgement.

All provisions are quantified on an effective interest rate basis so that the loan will yield a consistent return over its expected remaining life. The discounting required in the calculation of a provision is included in the initial charge; the discount unwinds through interest receivable in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

Latent loss provisions are held against estimated impairment losses in the performing portfolio that have yet to be identified as at the balance sheet date. To assess the latent loss within its portfolios, the Company has developed methodologies to estimate the time that an asset can remain impaired within the performing portfolio before it is identified and reported as such, past loss experience, credit scores and defaults based on portfolio trends. The most significant factors in establishing these provisions are the expected loss rates and the related average life.

At 31 December 2017, gross impaired loans and advances to customers totalled £2,539k (2016: £2,314k) and customer loan impairment provisions amounted to £692k (2016: £728k). The fair value of security held against the loans and advances to customers above amounted to £1,714k (2016: £1,377k).

Evaluating estimates of provisions involves significant judgement, as receipts will depend on the future performance of the borrower and the value of security, both of which will be affected by future economic conditions. Additionally, the security may not be readily marketable.

The future credit quality of the Company's lending book is subject to uncertainties that could cause actual credit losses to differ materially from reported loan loss provisions. These uncertainties include the economic environment, notably interest rates and their effect on customer spending, the unemployment level, payment behaviour and bankruptcy trends and changes in the Company's portfolios.

Pensions

The Company operates two pension schemes: The Isle of Man Pension Fund and The Isle of Man Bank Widows' and Orphans' Fund. The assets of the defined benefit schemes are measured at their fair value at the balance sheet date. Scheme liabilities are measured using the projected unit credit method, which takes account of projected earnings increases, using actuarial assumptions that give the best estimate of the future cash flows that will arise under the scheme liabilities. These cash flows are discounted at the interest rate applicable to high-quality corporate bonds of the same currency and term as the liabilities. Any surplus or deficit of scheme assets over liabilities is recognised on the balance sheet as an asset (surplus) or liability (deficit).

ACCOUNTING POLICIES

Critical accounting policies and key sources of estimation uncertainty (continued)

Pensions (continued)

In determining the value of scheme liabilities, financial and demographic assumptions are made including price inflation, pension increase, earnings growth and the longevity of scheme members. A range of assumptions could be adopted in valuing the schemes' liabilities. Different assumptions could significantly alter the amount of the surplus or deficit recognised on the balance sheet and the pension cost charged to the income statement. The assumptions adopted for the Company's pension schemes are set out in note 4 to the financial statements, together with sensitivities of the balance sheet and income statement to changes in those assumptions.

A pension asset of £7,521k was recognised on the balance sheet at 31 December 2017 (2016: £9,140k).

Provisions for liabilities

As set out in Note 12, at 31 December 2017 the Company recognised provisions for liabilities totalling £422k (2016: £1,270k). Provisions are liabilities of uncertain timing or amount, and are recognised when there is a present obligation as a result of a past event, the outflow of economic benefit is probable and the outflow can be estimated reliably. Judgement is involved in determining whether an obligation exists, and in estimating the probability, timing and amount of any outflows. Where the Company can look to another party such as an insurer to pay some or all of the expenditure required to settle a provision, any reimbursement is recognised when, and only when, it is virtually certain that it will be received.

Deferred tax

The Company makes provision for deferred tax on temporary differences where tax recognition occurs at a different time from accounting recognition. Deferred tax liabilities of £752k were recognised as at 31 December 2017 (2016: £914k). Deferred Tax assets are recognised in respect of unused tax losses to the extent that it is probable that there will be future taxable profits against which the losses and other temporary difference can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits.

Accounting developments

International Financial Reporting Standards

A number of IFRS and amendments to IFRS were in issue at 31 December 2017 that would affect the Company from 1 January 2018 or later.

Effective after 2018 - IFRS 9

In July 2014, the IASB published IFRS 9 'Financial Instruments' with an effective date of 1 January 2018. IFRS 9 replaces the current financial instruments standard IAS 39, setting out new accounting requirements in a number of areas. The Company is continuing its assessment of the standard's effect on its financial statements.

The principle features of IFRS 9 are as follows:

Recognition and derecognition

The material in IAS 39 setting out the criteria for the recognition and derecognition of financial instruments has been included unamended in IFRS 9.

Classification and measurement
Financial assets
There are three classifications for financial assets in IFRS 9: fair value through profit or loss; fair value through other comprehensive income and amortised cost.

- Financial assets with terms that give rise to interest and principal cash flows only and which are held in a business model whose objective is to hold financial assets to collect their cash flow are measured at amortised cost.

- Financial assets with terms that give rise to interest and principal cash flows only and which are held in a business model whose objective is achieved by holding financial assets to collect their cash flow and selling them are measured at fair value through other comprehensive income.

- Other financial assets are measured at fair value through profit and loss.

Accounting developments (continued)

However, at initial recognition, any financial asset may be irrevocably designated as measured at fair value through profit or loss if such designation eliminates a measurement or recognition inconsistency. The Company expects that the measurement basis of the majority of the Company's financial assets will be unchanged on application of IFRS 9.

Financial liabilities
IFRS 9's requirements on the classification and measurement of financial liabilities are largely unchanged from those in IAS 39. However, there is a change to the treatment of changes in the fair value attributable to own credit risk of financial liabilities designated as at fair value through profit or loss which are recognised in other comprehensive income and not in profit or loss as required by IAS 39.

Hedge accounting
IFRS 9's hedge accounting requirements are designed to align accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained. There is an option in IFRS 9 for an accounting policy choice to continue with the IAS 39 hedge accounting framework; the Company currently anticipates applying this option.

Credit impairment
IFRS 9's credit impairment requirements apply to financial assets measured at amortised cost, to those measured at fair value through other comprehensive income, to lease receivables and to certain loan commitments and financial guarantee contracts. On initial recognition a loss allowance is established at an amount equal to 12-month expected credit losses (ECL) that is the portion of life-time expected losses resulting from default events that are possible within the next 12 months. Where a significant increase in credit risk since initial recognition is identified, the loss allowance increases so as to recognise all expected default events over the expected life of the asset. The Company expects that financial assets where there is objective evidence of impairment under IAS 39 will be credit impaired under IFRS 9, and carry loss allowances based on all expected default events.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted: determined by evaluating at the balance sheet date for each customer or loan portfolio a range of possible outcomes using reasonable and supportable information about past events, current conditions, forecasts of future events and economic conditions. The estimation of ECL also takes into account the discount of future cash flows. Recognition and measurement of credit impairments under IFRS 9 are more forward-looking than under IAS 39.

A programme has been established to implement the necessary changes in the modelling of credit loss parameters, and the underlying credit management and financial processes; this programme is led jointly by Risk and Finance. The inclusion of loss allowances on all financial assets will tend to result in an increase in overall credit impairment provisions when compared with the current basis of measurement under IAS 39.

Transition
The classification and measurement and impairment requirements will be applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. In terms of shareholders equity, its current estimate of the opening balance sheet adjustment is to increase credit impairment provisions by £125k before tax. Separately, there is no increase in asset values in respect of changes on classification and measurement. This results in a net decrease in shareholders' equity, after tax, of £113k.

In terms of CET1 capital, under the current rules, the increase in credit impairment provisions is fully offset by a reduction in the regulatory expected loss deduction, so is anticipated to have no CET1 capital impact.

The Company will also adopt IFRS 15 Revenue from contracts with customers from 1 January 2018; it is not expected to have a material impact on shareholder's equity.

IFRS 16 'Leases' was issued in January 2016 to replace IAS 17 'Leases'. There are no substantial changes to the accounting for leases by lessors. For lessees: accounting for finance leases will remain substantially the same; operating leases will be brought on balance sheet through the recognition of assets representing the contractual rights of use and liabilities will be recognised for the contractual payments. The effective date is 1 January 2019.

IFRS 17 'Insurance contracts' was issued in May 2017 to replace IFRS 4 and to establish a comprehensive standard for inceptors of insurance policies. The effective date is 1 January 2021.

Accounting developments (continued)

IFRIC Interpretation 23 'Uncertainty over income tax treatments' was issued in June 2017 to clarify how to apply judgement in assessing the tax position of the reporting entity. The effective date is 1 January 2019.

In October 2017, the IASB amended IAS 28 'Investments in associates and joint ventures' to require long term, non-equity interests in these investments to be tested for impairment first in accordance with IFRS 9 and then in accordance with IAS 28. The effective date of the amendment is 1 January 2019.

The Company is assessing the effect of adopting these standards on its financial statements.

1. Net interest income

	2017 £'000	2016 £'000
Interest receivable from group undertakings	4,161	5,387
Interest receivable on loans and advances to customers	19,460	20,643
Interest receivable	23,621	26,030
Interest payable on customer accounts	(2,067)	(3,861)
Interest payable to group undertakings	(5,273)	(5,313)
Interest payable	(7,340)	(9,174)
Net interest income	16,281	16,856

2. Other operating income

	2017 £'000	2016 £'000
Gain on the sale of property, plant and equipment	50	324
Other income	708	-
Other operating income	758	324

3. Operating expenses

	2017 £'000	2016 £'000
Staff costs		
Wages, salaries and other staff costs	3,294	4,266
Pension costs:		
- defined benefit schemes (see note 4)	538	514
- defined contributions schemes (see note 4)	25	69
- contributions to RBS operated pension schemes	149	-
	4,006	4,849
Other expenses		
Premises and equipment	68	14
Administration (1)	8,051	7,455
	8,119	7,469
Depreciation		
Property, plant and equipment depreciation (see note 10)	296	64
Operating expenses	12,421	12,382

(1) Administrative costs include provisions for possible product redress.

Auditor's remuneration	2017 £'000	2016 £'000
Statutory audit work	70	70
Regulatory audit work	14	24
	84	94

The average number of persons employed by the Company during the year, excluding temporary staff was 112 (2016: 130).

4. Pensions

The Company made contributions of £25k to its own defined contribution schemes in 2017 (2016: £69k).

Eligible employees of the Company can participate in membership of RBS operated pension schemes. The principal defined benefit scheme in the UK was The Royal Bank of Scotland Group Pension Fund (the "Main scheme"). The Main scheme was closed to new entrants in October 2006 and since then employees have been offered membership of The Royal Bank of Scotland Retirement Savings Plan, a defined contribution pension scheme. Detailed disclosure of the RBS pension schemes is available in the RBS Annual Report and Accounts 2017.

The Company operates two defined benefit pension scheme, The Isle of Man Bank Pension Fund ("IOMPF") and The Isle of Man Bank Widows' and Orphans' Fund ("IOMWO"), the assets of which are independent of the Company's finances.

The schemes operate under Isle of Man trust law and are managed and administered on behalf of their members in accordance with the terms of the trust deed, the scheme rules and Isle of Man legislation. There is no pension scheme funding legislation in the Isle of Man. However, statutory debt rules do apply such that a debt may be due on an employer if it becomes insolvent; the scheme winds up; or, in the case of a multi-employer scheme, stops participating in the scheme while the scheme continues.

The trustees of the schemes collectively own the scheme assets which are held separately from the assets of the Company. The Trustee body comprises three trustees nominated by the Company:- one representative of the pensioners; one representative of the recognised union in the Isle of Man and one independent trustee. The trustees are responsible for operating the schemes in line with its formal rules and pensions law. It has a duty to act in the best interests of all scheme members, including pensioners and those who are no longer employed by the Company but who still have benefits in the schemes.

The Company's schemes were closed to new entrants in 2006.

Full valuations of the Company's scheme are carried out every 3 years.

Interim valuations of the Company's scheme were prepared to 31 December 2017 by independent actuaries, using the following assumptions:

Principal actuarial assumptions at 31 December	2017	2016
Discount rate	**2.55%**	2.70%
Rate of increase in salaries	**1.75%**	1.75%
Rate of increase in pensions in payment	**1.65%**	1.65%
Inflation assumption	**3.10%**	3.20%

Discount rate

The Sterling yield curve is constructed by reference to yields on 'AA' corporate bonds from which a single discount rate is derived based on a cash flow profile similar in structure and duration to the pension obligations. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The criteria include issuance size, quality of pricing and the exclusion of outliers. Judgement is also required in determining the shape of the yield curve at long durations: For the Sterling curve, a constant credit spread relative to gilts is assumed at long durations.

Investment strategy

The assets of the IOMPF and IOMWO schemes are invested in a diversified portfolio of quoted equities, government and corporate fixed-interest and index-linked bonds. The Schemes' equity holdings are held in passive pooled funds managed by State Street. The Trustee's investment benchmark is for the majority to be invested in global developed markets, with a small proportion invested in emerging markets.

Major classes of plan assets as a percentage of total plan assets	2017	2016
Quoted assets		
Equities	**33%**	34%
Index-linked bonds	**6%**	6%
Government fixed interest bonds	**43%**	43%
Corporate and other bonds	**18%**	17%
	100%	100%

4. Pension costs (continued)

Post–retirement mortality assumptions	**2017**	2016
Longevity at age 60 for current pensioners (years)		
Males	**29.0**	28.7
Females	**31.0**	31.3
Longevity at age 60 for future pensioners currently aged 40 (years)		
Males	**31.0**	30.5
Females	**33.0**	33.3

These post-retirement mortality assumptions are derived from standard mortality tables used by the scheme actuary to value the liabilities for the schemes.

Changes in value of net pension asset	**Fair value of plan assets £'000**	**Present value of defined benefit obligations £'000**	**Asset ceiling/ minimum funding [1] £'000**	**Net pension surplus/ (deficit) £'000**
At 1 January 2017	133,425	(112,699)	(11,586)	**9,140**
Income statement:				
Interest income	3,532	-	-	**3,532**
Interest expense	-	(2,957)	(313)	**(3,270)**
Current service cost	-	(800)	-	**(800)**
	3,532	(3,757)	(313)	**(538)**
Statement of comprehensive income:				
Experience gains or losses	6,240	-	(5,184)	**1,056**
Effect of changes in actuarial financial assumptions	-	(2,776)	-	**(2,776)**
	6,240	(2,776)	(5,184)	**(1,720)**
Contributions by employer	639	-	-	**639**
Benefits paid	(8,656)	8,656	-	**-**
At 31 December 2017	135,180	(110,576)	(17,083)	**7,521**

Changes in value of net pension asset	**Fair value of plan assets £'000**	**Present value of defined benefit obligations £'000**	**Asset ceiling/ minimum funding [1] £'000**	**Net pension surplus/ (deficit) £'000**
At 1 January 2016	114,099	(98,814)	(8,858)	6,427
Income statement:				
Interest income	4,431	-	-	4,431
Interest expense	-	(3,773)	(345)	(4,118)
Current service cost	-	(827)	-	(827)
	4,431	(4,600)	(345)	(514)
Statement of comprehensive income:				
Experience gains or losses	16,444	2,309	(2,383)	16,370
Effect of changes in actuarial financial assumptions	-	(25,726)	-	(25,726)
Effect of changes in actuarial demographic assumptions	-	7,911	-	7,911
	16,444	(15,506)	(2,383)	(1,445)
Contributions by employer	4,672	-	-	4,672
Benefits paid	(6,221)	6,221	-	-
At 31 December 2016	133,425	(112,699)	(11,586)	9,140

[1] In recognising the net surplus or deficit of pension schemes, the funded status for both schemes are adjusted to reflect any ceiling on the amount that the sponsor has a right to recover from a scheme.

4. Pensions (continued)

Of the expense for the year, £538k (2016: £514k) has been included in the income statement within staff costs (see note 3).

The Company expects to contribute £639k to its defined benefit pension schemes in 2018.

The weighted average duration of the Group's defined benefit obligation is 20 years.

History of defined benefit scheme	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of defined benefit obligations	(110,576)	(124,285)	(107,672)	(104,615)	(87,150)
Fair value of plan assets	118,097	133,425	114,099	116,521	98,932
Pension IFRIC 14 Adjustment	-	-	-	(8,514)	(7,973)
Net surplus/(deficit)	7,521	9,140	6,427	3,392	3,809
Experience (losses)/gains on plan liabilities	-	(74)	(40)	-	7,337
Experience gains/(losses) on plan assets	6,240	16,444	(3,140)	12,571	(442)
Actual return on pension scheme assets	9,772	20,870	1,122	17,122	3,777

The table below sets out the sensitivities of the pension cost for the year and the present value of defined benefit obligations at the balance sheet dates to a change in the principal actuarial assumptions:

	(Decrease)/increase in pension cost for the year			(Decrease)/increase in obligation at 31 December		
	2017 £'000	2016 £'000	2015 £'000	2017 £'000	2016 £'000	2015 £'000
0.25% increase in the discount rate	(62)	(252)	(241)	(5,249)	(5,270)	(5,089)
0.25% increase in inflation	22	173	186	4,773	4,798	4,514
0.25% additional rate of increase in pensions in payment	22	140	144	3,873	3,885	3,577
0.25% additional rate of increase in deferred pensions	-	32	41	871	884	904
0.25% additional rate of increase in salaries	21	60	56	594	599	743
Longevity increase of one year	14	105	107	2,870	2,879	2,287

Pension liabilities are calculated on the central assumptions and under the relevant sensitivity scenarios. The sensitivity to pension liabilities is the difference between these calculations.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

5. Tax

	2017 £'000	2016 £'000
Current tax:		
Charge for the year	922	519
(Over)/under provision in respect of prior periods	(96)	5
Total current tax	826	524
Deferred tax:		
Charge for the year	10	441
Tax charge for the year	836	965

5. Tax (continued)

The actual tax charge differs from the expected tax charge computed by applying the standard rate of income tax of 10% (2016: 10%) as follows:

	2017 £'000	2016 £'000
Operating profit before tax	**9,368**	9,789
Expected tax charge	**937**	979
Factors affecting the charge for the year:		
Disallowable expenses	**25**	1
Profits taxed at 0%	**(30)**	(21)
Prior year adjustment	**(96)**	-
Other	**-**	6
Actual tax charge for the year	**836**	965

6. Ordinary dividends

	2017 £'000	2016 £'000
Interim dividends of 39.9p (2016: 213.3p) per share	**3,000**	16,000

A dividend of £3,000k was approved on 12 December 2017 (2016: £16,000k).

7. Financial Instruments

The following tables analyse the financial assets and financial liabilities in accordance with the categories of financial instruments in IAS 39. Assets and liabilities outside the scope of IAS 39 are shown within other assets and other liabilities.

2017	Financial instruments at fair value through profit or loss £'000	Loans and receivables £'000	Other (amortised cost) £'000	Other assets/ liabilities £'000	Total £'000
Assets					
Cash and balances at central banks	-	18,265	-	-	**18,265**
Loans and advances to banks	-	994,587	-	-	**994,587**
Loans and advances to customers	-	599,178	-	-	**599,178**
Derivatives	841	-	-	-	**841**
Other assets	-	-	-	10,100	**10,100**
Retirement benefit assets	-	-	-	7,521	**7,521**
	841	1,612,030	-	17,621	**1,630,492**
Liabilities					
Deposits by banks	-	-	33,672	-	**33,672**
Customer accounts	-	-	1,498,417	-	**1,498,417**
Derivatives	14,513	-	-	-	**14,513**
Other liabilities	-	-	-	7,051	**7,051**
	14,513	-	1,532,089	7,051	**1,553,653**
Equity					**76,839**
					1,630,492

7. Financial Instruments (continued)

Restated 2016	Financial instruments at fair value through profit or loss £'000	Loans and receivables £'000	Other (amortised cost) £'000	Other assets/ liabilities £'000	Total £'000
Assets					
Cash and balances at central banks	-	17,625	-	-	17,625
Loans and advances to banks	-	849,112	-	-	849,112
Loans and advances to customers	-	591,689	-	-	591,689
Derivatives	3,448	-	-	-	3,448
Other assets	-	-	-	7,451	7,451
Retirement benefit assets	-	-	-	9,140	9,140
	3,448	1,458,426	-	16,591	1,478,465
Liabilities					
Deposits by banks	-	-	36,600	-	36,600
Customer accounts	-	-	1,340,675	-	1,340,675
Derivatives	18,784	-	-	-	18,784
Other liabilities	-	-	-	9,551	9,551
	18,784	-	1,377,275	9,551	1,405,610
Equity					72,855
					1,478,465

The following tables show the financial instruments carried at fair value by valuation method:

	2017			
	Level 1 (1) £'000	**Level 2 (2) £'000**	**Level 3 (3) £'000**	**Total £'000**
Assets				
Derivatives	-	841	-	841
Total	-	841	-	841
Liabilities				
Derivatives	-	14,513	-	14,513
Total	-	14,513	-	14,513

	Restated 2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Derivatives	-	3,448	-	3,448
Total	-	3,448	-	3,448
Liabilities				
Derivatives	-	18,784	-	18,784
Total	-	18,784	-	18,784

(1) Valued using unadjusted quoted prices in active markets for identical financial instruments.

(2) Valued using techniques based significantly on observable market data. Instruments in this category are valued using:

a) quoted prices for similar instruments or identical instruments in markets which are not considered to be active; or
b) valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

(3) Instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, the Company determines a reasonable level for the input.

7. Financial Instruments (continued)

The following table shows the carrying values and the fair values of financial instruments on the balance sheet carried at amortised cost: all assets and liabilities carried at amortised cost on the balance sheet fall within level 2 of the valuation methodologies.

	2017 Carrying value £'000	**2017 Fair value £'000**	Restated 2016 Carrying value £'000	Restated 2016 Fair value £'000
Financial assets				
Cash and balances at central banks	**18,265**	**18,265**	17,625	17,625
Loans and advances to banks				
Loans and receivables	**994,587**	**994,587**	849,112	849,112
Loans and advances to customers				
Loans and receivables	**599,178**	**590,404**	591,689	501,533
Financial liabilities				
Deposits by banks	**33,672**	**33,672**	36,600	36,600
Customer accounts	**1,498,417**	**1,498,417**	1,340,675	1,340,675

Differences between the carrying value and the fair value of loans and receivables to customers above relate specifically to certain advances that are at fixed interest rates and fixed maturity dates. There is no intention to break any of these advances prior to maturity and the difference between carrying value and fair value is never expected to be realised.

The fair value is the amount for which an asset could be exchanged, or a liability transferred, between knowledgeable, willing parties in an arm's length transaction. Quoted market values are used where available; otherwise, fair values have been estimated based on discounted expected future cash flows and other valuation techniques. These techniques involve uncertainties and require assumptions and judgements covering prepayments, credit risk and discount rates.

Changes in these assumptions would significantly affect estimated fair values. The fair values reported would not necessarily be realised in an immediate sale or settlement. As a wide range of valuation techniques are available, it may be inappropriate to compare the Company's fair value information to independent markets or other financial institutions' fair values.

The assumptions and methodologies underlying the calculation of fair values of financial instruments at the balance sheet date are set out below:

The fair value of financial instruments that are of short maturity (3 months or less) approximate their carrying value. This applies mainly to cash and balances at central banks, items in the course of collection from other banks, settlement balances, items in the course of transmission to other banks and demand deposits.

The Company uses a number of methodologies to determine the fair values of financial instruments for which observable prices in active markets for identical instruments are not available. These techniques include: relative value methodologies based on observable prices for similar instruments; present value approaches where future cash flows from the asset or liability are estimated and then discounted using a risk-adjusted interest rate; option pricing models (such as Black-Scholes or binomial option pricing models) and simulation models such as Monte-Carlo.

The principal inputs to these valuation techniques are listed below. Values between and beyond available data points are obtained by interpolation and extrapolation. When utilising valuation techniques, the fair value can be significantly affected by the choice of valuation model and by underlying assumptions concerning factors such as the amounts and timing of cash flows, discount rates and credit risk:-

- Bond prices - quoted prices are generally available for government bonds, certain corporate securities and some mortgage-related products.
- Credit spreads - where available, these are derived from prices of credit default swaps or other credit based instruments, such as debt securities. For others, credit spreads are obtained from pricing services.
- Interest rates - these are principally benchmark interest rates such as the London Inter-Bank Offered Rate (LIBOR) and quoted interest rates in the swap, bond and futures markets.

- Foreign currency exchange rates - there are observable markets both for spot and forward contracts and futures in the world's major currencies.

7. Financial Instruments (continued)

Loans and advances to banks and customers
Fair value is estimated by grouping loans into homogeneous portfolios and applying a discount rate to the cash flows. The discount rate is based on the market rate applicable at the balance sheet date for a similar portfolio with similar maturity and credit risk characteristics.

Deposits by banks and customer accounts
The fair values of deposits are estimated using discounted cash flow valuation techniques.

Remaining maturity
The following shows the residual maturity of financial instruments based on contractual date of maturity.

2017	Less than 12 months £'000	More than 12 months £'000	Total £'000
Assets			
Cash and balances at central banks	18,265	-	18,265
Loans and advances to banks	987,561	7,026	994,587
Loans and advances to customers	56,258	542,920	599,178
Derivatives	788	53	841
Liabilities			
Deposits by banks	33,672	-	33,672
Customer accounts	1,482,174	16,253	1,498,427
Derivatives	14,100	413	14,513

Restated 2016	Less than 12 months £'000	More than 12 months £'000	Total £'000
Assets			
Cash and balances at central bank	17,625	-	17,625
Loans and advances to banks	828,042	21,070	849,112
Loans and advances to customers	29,888	561,801	591,689
Derivatives	2,216	1,232	3,448
Liabilities			
Deposits by banks	36,600	-	36,600
Customer accounts	1,313,687	26,988	1,340,675
Derivatives	18,142	642	18,784

8. Financial assets - Impairments

The following table shows analysis of impaired financial assets:

	2017			2016		
	Cost	**Provision**	**Net book value**	Cost	Provision	Net book value
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Impaired financial assets						
Loans and advances to customers	**2,539**	**(692)**	**1,847**	2,314	(728)	1,586

The above provision is with respect to the impaired book and excludes the latent provision.

The fair value of security held against these loans and advances to customers amounted to £1,714k (2016: £1,377k).

The following tables show the movement in the provision for impairment losses for loans and advances:

	Latent	**Specific**	**Total**
	£'000	**£'000**	**£'000**
At 1 January 2017	**299**	**728**	**1,027**
Amounts written off	**-**	**(171)**	**(171)**
Charge to the income statement	**(4)**	**54**	**50**
Recoveries of amounts previously written off	**-**	**86**	**86**
Unwind of discount	**-**	**(5)**	**(5)**
At 31 December 2017	**295**	**692**	**987**

	Latent	Specific	Total
	£'000	£'000	£'000
At 1 January 2016	202	774	976
Amounts written off	-	(175)	(175)
Charge to the income statement	97	75	172
Recoveries of amounts previously written off	-	65	65
Unwind of discount	-	(11)	(11)
At 31 December 2016	299	728	1,027

The following tables show an analysis of past due but not impaired:

2017	**Past due 1–29 days £'000**	**Past due 30–59 days £'000**	**Past due 60–89 days £'000**	**Past due more than 90 days £'000**	**Total £'000**
Loans and advances to customers	**1,510**	**1,335**	**23**	**1,770**	**4,638**
2016					
Loans and advances to customers	1,804	379	544	1,688	4,415

9. Investment in subsidiary

	2017	2016
	£	£
At 1 January	**100**	100
Disposals	**(100)**	-
At 31 December	**-**	100

The Company owned 100% of the share capital of Isle of Man Bank (Nominees) Limited, a nominee company incorporated and registered in the Isle of Man, which was dissolved on 3 April 2017.

10. Property, plant and equipment

2017	**Freehold Premises £'000**	**Computers and other equipment £'000**	**Total £'000**
Cost:			
At 1 January 2017	5,862	179	6,041
Additions	-	-	-
Disposals	(170)	(125)	(295)
Intra group transfers	457	807	1,264
At 31 December 2017	**6,149**	**861**	**7,010**
Accumulated depreciation and amortisation:			
At 1 January 2017	2,746	172	2,918
Disposals	(33)	(101)	(134)
Depreciation charge for the year	133	163	296
At 31 December 2017	**2,846**	**234**	**3,080**
Net book value at 31 December 2017	**3,303**	**627**	**3,930**

2016	Freehold Premises £'000	Computers and other equipment £'000	Total £'000
Cost:			
At 1 January 2016	6,327	179	6,506
Additions	-	-	-
Disposals	(465)	-	(465)
At 31 December 2016	5,862	179	6,041
Accumulated depreciation and amortisation:			
At 1 January 2016	2,787	179	2,966
Disposals	(107)	-	(107)
Depreciation charge for the year	63	1	64
Currency translations and other adjustments	3	(8)	(5)
At 31 December 2016	2,746	172	2,918
Net book value at 31 December 2016	3,116	7	3,123

NOTES TO THE FINANCIAL STATEMENTS *for the year ended 31 December 2017*

11. Derivatives

Companies in the Group enter into various derivatives to manage year end foreign exchange and interest rate risks. Derivatives include swaps and forwards. They may be traded over-the-counter (OTC).

The Company enters into fair value hedges. Fair value hedges principally involve interest rate swaps hedging the interest rate risk in recognised financial assets and financial liabilities.

Included in the table below are derivatives entered into during the normal course of business with customers and other RBS companies:

	2017			Restated [1] 2016			Restated [1] 2015		
	Notional amounts £'000	**Assets £'000**	**Liabilities £'000**	Notional amounts £'000	Assets £'000	Liabilities £'000	Notional amounts £'000	Assets £'000	Liabilities £'000
Exchange rate contracts									
Spots and forwards -									
RBS entities	**88,410**	**756**	**381**	127,564	3,400	2,027	141,189	694	-
Third party	**14,809**	**24**	**389**	15,153	48	1,410	22,122	955	7
Interest rate swaps									
RBS	**91,993**	**61**	**13,743**	95,024	-	15,347	141,189	-	14,062
	195,212	**841**	**14,513**	237,741	3,448	18,784	304,500	1,649	14,069

[1] For details of restatement, please refer note 23.

The table below shows the gains and losses in relation to interest rate swaps and fair value hedged items. These have gone through the income statement under other operating income.

	2017 £'000	2016 £'000
Gains recognised on the hedge accounting interest rate swap	**1,916**	1,816
Losses recognised on the item being hedged	**(1,372)**	(1,975)

12. Accruals, deferred income and other liabilities

	2017 £'000	2016 £'000
Accruals and deferred income	5,014	6,848
Other liabilities	422	1,270
	5,436	8,118

Provisions of £422k (2016: £1,270k) are included in other liabilities.

The following amounts are included within provisions:

	Customer redress (1) £'000	Other £'000	Total £'000
At 1 January 2016	402	853	1,255
Charge to the income statement	617	620	1,237
Release during the year	-	(300)	(300)
Utilised in year	(402)	(520)	(922)
At 1 January 2017	617	653	1,270
Released during the year	-	(174)	(174)
Utilised in year	(285)	(389)	(674)
At 31 December 2017	332	90	422

(1) **Customer redress provision**
The Company has provided for customer redress in relation to payment protection insurance, interest rate hedging products and other retail products.

13. Deferred taxation

	Pension £'000	Accelerated capital allowances £'000	Total £'000
At 1 January 2015	(340)	(2)	(342)
Charge to income statement	(34)	2	(32)
Charge to other comprehensive income	(278)	-	(278)
At 1 January 2016	(652)	-	(652)
Charge to income statement	(441)	-	(441)
Credit to other comprehensive income	179	-	179
At 1 January 2017	(914)	-	(914)
Charge to income statement	(10)	-	(10)
Credit to other comprehensive income	172	-	172
At 31 December 2017	(752)	-	(752)

14. Called up share capital

	Allotted, called up and fully paid		Authorised	
	31 December 2017 £'000	31 December 2016 £'000	2017 £'000	2016 £'000
Equity shares:				
Ordinary shares of £1	**7,501**	7,501	**15,000**	15,000
Preference shares of £1	**-**	-	**5**	5
Total share capital	**7,501**	7,501	**15,005**	15,005

	Allotted, called up and fully paid		Authorised	
Number of shares	31 December 2017 '000	31 December 2016 '000	2017 '000	2016 '000
Equity shares:				
Ordinary shares of £1	**7,501**	7,501	**15,000**	15,000
Preference shares of £1	**-**	-	**5**	5
	7,501	7,501	**15,005**	15,005

15. Leases

The company provides asset finance to its customers through acting as a lessor. It purchases plant and equipment, renting them to customers under lease agreements that, depending on their terms, qualify as either operating or finance leases.

Finance leases are set out in the table below. Amounts receivable under non-cancellable leases:

	Finance lease contracts					
	2017			2016		
Year in which receipt will occur:	Gross amounts £'000	Present value adjustments £'000	Present value £'000	Gross amounts £'000	Present value adjustments £'000	Present value £'000
Within 1 year	**3,404**	**-**	**3,404**	3,404	(197)	3,207
After 1 year but within 5 years	**13,614**	**(1,873)**	**11,741**	13,614	(2,545)	11,069
After 5 years	**20,422**	**(7,341)**	**13,081**	23,825	(9,874)	13,951
	37,440	**(9,214)**	**28,226**	40,843	(12,616)	28,227

The Company has 1 finance lease agreement in property sector. The average term of the finance lease entered into is 23 years (2016: 23 years).

The average effective interest rate in relation to finance lease agreements approximates 6.6% (2016: 6.6%).

Unguaranteed residual values are estimated at nil (2016: nil).

15. Leases (continued)

Operating leases are set out in the table below. Minimum amounts payable under non–cancellable leases:

	2017			
Year in which payment will occur:	**Within 1 year £'000**	**After 1 year but within 5 years £'000**	**After 5 years £'000**	**Total £'000**
Operating lease obligations:				
Premises	**1,014**	**4,058**	**5,479**	**10,551**

	2016			
Year in which payment will occur:	Within 1 year £'000	After 1 year but within 5 years £'000	After 5 years £'000	Total £'000
Operating lease obligations:				
Premises	1,138	2,966	2,955	7,059

	2017 £'000	2016 £'000
Amounts recognised as income and expense		
Operating lease payables – minimum payments	**1,014**	1,138

16. Risk management

The major risks associated with Isle of Man Bank Limited are market, liquidity, credit, regulatory and operational risk. The Company has established a comprehensive framework for managing these risks which is continually evolving as the Company's business activities change in response to market, credit, product and other developments. The Company is a wholly owned subsidiary of The Royal Bank of Scotland International (Holdings) Limited.

As discussed in the Report of the Directors, the authority for day-to-day risk management has been delegated to the Investment Risk Committee ("IRC"), the Offshore Asset and Liability Committee ("ALCO"), the Executive Committee Offshore ("ExCo") and the Offshore Audit Committee ("OAC").

16. Risk management (continued)

Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates, prices, volatilities and correlations may have an adverse financial impact on the Company's financial condition or results.

The Company's management of its exposure to market risk recognises a fundamental distinction between the core (retail) lending and deposits and the Company's foreign exchange and money market (wholesale) activities.

Market risk includes:

Interest rate risk
Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, unexpected changes in the slope and shape of the yield curves and changes in the correlation of interest rates between different financial instruments. In addition to interest rate risk positions managed within controlled risk limits by the Treasury unit, structural interest rate risk arises in the consolidated balance sheet as a result of fixed rate, variable rate and non-interest bearing assets and liabilities. Exposure to interest rate movements arises when there is a mis-match between interest rate sensitive assets and liabilities. The Company closely monitors interest rate movements, the interest rate and re-pricing maturity structure of its interest bearing assets and liabilities and the level of non-interest bearing assets and liabilities. In order to reduce the effect of fluctuating interest rates on net interest income, the composition of non-trading interest rate risk is assessed and funding positions or other derivative transactions are hedged with RBS.

Currency risk

All transactional (or non-structural) currency exposure risk is managed by the Treasury unit and there remains a small immaterial open position which is measured on a daily basis within set limits. The principal non-sterling currencies in which the Company has transactional currency exposure are US Dollar and the Euro.

Value-at-Risk ("VaR")
The Company manages market risk through VaR limits as well as stress testing, position and sensitivity limits. VaR is a technique that produces estimates of the potential negative change in the market value of a portfolio over a specified time horizon at a given confidence level. The table below sets out the VaR for the Company, which assumes a 99% confidence level and a one-day time horizon.

	31 December 2017	**Maximum**	**Minimum**	**Average**
	£'000	**£'000**	**£'000**	**£'000**
Value-at-Risk	**9**	**10**	**2**	**6**

	31 December 2016	Maximum	Minimum	Average
	£'000	£'000	£'000	£'000
Value-at-Risk	4	22	1	3

Historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations. These limitations are listed below:

- VaR using a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or hedged within one day.
- VaR using a 99% confidence level does not reflect the extent of potential losses beyond that percentile.
- The Company largely computes the VaR of the trading portfolios at the close of business and positions may change substantially during the course of the trading day. Controls are in place to limit the Company's intra-day exposure such as the calculation of VaR for selected portfolios.

These limitations and the nature of the VaR measure mean that the Company cannot guarantee that losses will not exceed the VaR amounts indicated or that losses in excess of the VaR amounts will not occur more frequently than once in 20 business days.

16. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its commitments when they fall due, or can secure them only at excessive cost. The Company performs daily liquidity monitoring to ensure compliance with limits set by the regulators in the jurisdiction within which it operates. Quarterly reports are made to ALCO and the Board covering Sterling and currency liquidity.

The ultimate parent company, The Royal Bank of Scotland Group plc, is required by the Financial Conduct Authority to meet its Sterling obligations without recourse to the wholesale money market for a period of at least five business days. RBS manages its capital and liquidity, including drawing on support provided by the UK government and central banks in response to market conditions, in a responsible manner that continues to provide sufficient capital resources and liquidity for the Group to meet its obligations as they fall due.

The Company maintains daily liquidity reporting of positions to RBS.

The following table shows, by contractual maturity, the undiscounted cash flows including future payments of interest. Cash flows related to future interest payments on fixed term, fixed interest rate loans and derivatives beyond 20 years were included in the 2017 table, but not included in the 2016 comparatives.

2017	0–3 months £'000	3–12 months £'000	1–3 years £'000	3–5 years £'000	5–20 years £'000	>20 years £'000
Assets by contractual maturity						
Cash and balances	18,265	-	-	-	-	-
Loans and advances to banks	970,916	16,645	7,026	-	-	-
Total maturing assets	989,181	16,645	7,026	-	-	-
Loans and advances to customers	43,514	16,056	17,704	19,138	300,659	205,418
Derivatives	164	177	490	419	1,225	26
Total assets	**1,032,859**	**32,878**	**25,220**	**19,557**	**301,884**	**205,444**
Liabilities by contractual maturity						
Deposits by banks	14,210	19,462	-	-	-	-
Total maturing liabilities	14,210	19,462	-	-	-	-
Customer accounts	1,429,538	52,952	16,402	-	-	-
Derivatives	852	2,088	4,729	4,061	11,487	216
Total liabilities	**1,444,600**	**74,502**	**21,131**	**4,061**	**11,487**	**216**
Maturity gap	(411,741)	(41,624)	4,089	15,496	290,397	205,228
Cumulative maturity gap	(411,741)	(453,365)	(449,276)	(433,780)	(143,383)	61,845
Guarantees and commitments notional amount						
Guarantees (1)	(1,156)	-	-	-	-	-
Commitments (2)	(97,127)	-	-	-	-	-
	(98,283)	-	-	-	-	-

16. Risk management (continued)

2016	0–3 months £'000	3–12 months £'000	1–3 years £'000	3–5 years £'000	5–20 years £'000	>20 years £'000
Assets by contractual maturity						
Cash and balances	17,625	-	-	-	-	-
Loans and advances to banks	821,018	7,024	21,070	-	-	-
Total maturing assets	838,643	7,024	21,070	-	-	-
Loans and advances to customers	19,540	10,348	37,839	39,972	483,990	-
Total assets	858,183	17,372	58,909	39,972	483,990	-
Liabilities by contractual maturity						
Deposits by banks	27,654	8,945	-	-	-	-
Total maturing liabilities	27,654	8,945	-	-	-	-
Customer accounts	1,291,309	19,691	27,539	-	-	-
Total liabilities	1,318,963	28,636	27,539	-	-	-
Maturity gap	(460,780)	(11,264)	31,370	39,972	483,990	-
Cumulative maturity gap	(460,780)	(472,044)	(440,674)	(400,702)	83,288	-
Guarantees and commitments notional amount						
Guarantees [1]	(1,137)					
Commitments [2]	(95,217)	-	-	-	-	-
	(96,354)	-	-	-	-	-

Note:

[1] The Company is only called upon to satisfy a guarantee when the guaranteed party fails to meet its obligations. The Company expects most guarantees it provides to expire unused.

[2] The Company has given commitments to provide funds to customers under undrawn formal facilities, credit lines and other commitments to lend subject to certain conditions being met by the counterparty. The Company does not expect all facilities to be drawn, and some may lapse before drawdown.

16. Risk management (continued)

Financial assets have been reflected in the time band of the latest date on which they could be repaid unless earlier repayment can be demanded by the reporting entity; financial liabilities are included at the earliest date on which the counterparty can require repayment regardless of whether or not such early repayment results in a penalty.

If the repayment of a financial asset or liability is triggered by, or is subject to, specific criteria such as market price hurdles being reached, the asset is included in the latest date on which it can repay regardless of early repayment whereas the liability is included at the earliest possible date that the conditions could be fulfilled without considering the probability of the conditions being met. For example, if a structured note is automatically prepaid when an equity index exceeds a certain level, the cash outflow will be included in the less than three months period whatever the level of the index at the year end. As the repayment of assets and liabilities are linked, the repayment of assets in securitisations are shown on the earliest date that the asset can be prepaid as this is the basis used for liabilities.

Credit risk (including counterparty risk)

Credit risk is the risk that the Company will incur losses owing to the failure of customers to meet their financial obligations to the Company. The most important step in managing this risk is the initial decision whether or not to extend credit. The Company's strong credit culture extends to the management of resultant exposures via individual counterparty and concentration limits and the monitoring of counterparty credit worthiness as described below.

The Company has exposure to RBS entities by making placements and advances to those counterparties. The Board of Directors reviews the placement of deposits to RBS. RBS is majority owned by the UK Government and draws on support provided by central banks where required in order to meet its commitments including those to the Company.

The day-to-day management of credit risk is devolved to a specialist credit function, which perform regular appraisals of counterparty credit quality through the analysis of qualitative and quantitative information. Credit authority is based on defined limits. If the Company requires collateral, this may be cash, or more commonly, security over a customer's assets.

Under IAS 39, provisions are assessed by the Company under the following two categories:

Individually assessed provisions
Individually assessed provisions are the provisions required for individually significant impaired assets which are assessed on a case-by-case basis, taking into account the financial condition of the counterparty and any guarantor. This incorporates an estimate of the discounted value of any recoveries and realisation of security or collateral. The asset continues to be assessed on an individual basis until it is repaid in full or written off.

Latent loss provisions
Latent loss provisions are the provisions held against the estimated impairment in the performing portfolio, which has yet to be identified and reported as at the year end date. To assess the latent loss within the portfolio, the Company has developed methodologies to estimate the time that an asset can remain impaired within a performing portfolio before it is identified and reported as such.

A management review has shown that the majority of the Company's lending book is covered in excess of 100% of the carrying value by the fair value of security. The fair values of security are based on the most recent open market valuation of each item of security and an ongoing review process is in place to ensure that all security remains valid. Unsecured Personal Lending totalled £7,966k as at 31 December 2017 (2016: £8,434k) – all unsecured lending is made subsequent to checking customer credit ratings and banking histories.

Impaired financial assets relating to credit risk are analysed in note 8. There are no other net significant exposures to credit risk.

Maximum credit risk exposure and significant concentrations of credit risk are illustrated in the table below:

16. Risk management (continued)

Credit risk (continued)

2017	**Gross loans and advances to banks and customers £'000**	**Derivatives £'000**	**Total £'000**	**Netting and offset [1] £'000**	**Exposure post netting and offset £'000**
UK and Crown Dependencies					
Central and local government	194,994	-	194,994	(60,159)	134,835
Manufacturing	1,945	-	1,945	-	1,945
Construction	4,457	-	4,457	-	4,457
Finance	1,001,558	841	1,002,399	-	1,002,399
Service industries and business	3,992	-	3,992	-	3,992
Agriculture, forestry and fishing	7,177	-	7,177	-	7,177
Property	28,060	-	28,060	-	28,060
Individuals	10,055	-	10,055	-	10,055
Home mortgages	356,744	-	356,744	-	356,744
Finance leases and instalment credit	26,571	-	26,571	-	26,571
Other	19,358	-	19,358	-	19,358
Total UK and Crown Dependencies	1,654,911	841	1,655,752	(60,159)	1,595,593

Restated 2016	Gross loans and advances to banks and customers £'000	Derivatives £'000	Total £'000	Netting and offset [1] £'000	Exposure post netting and offset £'000
UK and Crown Dependencies					
Central and local government	214,132	-	214,132	(60,168)	153,964
Manufacturing	1,798	-	1,798	-	1,798
Construction	4,894	-	4,894	-	4,894
Finance	857,376	3,448	860,824	-	860,824
Service industries and business	3,857	-	3,857	-	3,857
Agriculture, forestry and fishing	6,600	-	6,600	-	6,600
Property	26,424	-	26,424	-	26,424
Individuals	8,513	-	8,513	-	8,513
Home mortgages	332,893	-	332,893	-	332,893
Finance leases and instalment credit	28,227	-	28,227	-	28,227
Other	17,281	-	17,281	-	17,281
Total UK and Crown Dependencies	1,501,995	3,448	1,505,443	(60,168)	1,445,275

(1) This column shows the amount by which the Company's credit risk exposures is reduced through arrangements, such as master netting agreements, which give the Company a legal right to set-off the financial asset against a financial liability due to the same counterparty. In addition, the Company holds collateral in respect of individual loans and advances to banks and customers. This collateral includes mortgages over property (both personal and commercial); charges over business assets such as plant, inventories and trade receivables; and guarantees of lending from parties other than the borrower. The Company obtains collateral in the form of securities in reverse repurchase agreements. Cash and securities are received as collateral in respect of derivative transactions.

The balances included above have been offset with liabilities of £60,159k (2016: £60,168k) in accordance with the offsetting rules of IAS 32.

In accordance with IAS 32, balances with a counterparty are not offset unless there is a legally enforceable right to offset and there is an intention to settle net, or to realise the asset and settle the liability at the same time.

16. Risk management (continued)

Credit risk asset quality

The asset quality analysis presented below is based on the Company's internal asset quality ratings which have ranges for the probability of default, as set out below. Customers are assigned credit ratings, based on various credit rating models that reflect the key drivers of default for the customer type. All credit grades across the Company map to both an asset quality scale, used for external financial reporting, and a master grading scale for wholesale exposures used for internal management reporting across portfolios.

The table that follows details the relationship between asset quality (AQ) bands and external ratings published by Standard & Poor's (S&P), for illustrative purposes only. This relationship is established by observing S&P's default study statistics, notably the one year default rates for each S&P rating grade. A degree of judgement is required to relate the probability of default associated with master grading scale to these default rates given that, for example the S&P published default rates do not increase uniformly by grade and historical default rate is nil for the highest rating categories.

The table below shows credit risk assets by asset quality (AQ) band:

Asset Quality Grade	Minimum %	Maximum %	Indicative S&P rating
AQ1	0.000	0.034	AAA to AA
AQ2	0.034	0.048	AA-
AQ3	0.048	0.095	A+ to A
AQ4	0.095	0.381	BBB+ to BBB-
AQ5	0.381	1.076	BB+ to BB
AQ6	1.076	2.153	BB- to B+
AQ7	2.153	6.089	B+ to B
AQ8	6.089	17.222	B- to CCC+
AQ9	17.222	100.000	CCC to C
AQ10	100.000	100.000	D

The following table provides an analysis of the credit quality of third party financial assets by probability of default:

2017	Cash and balances at central banks £'000	Loans and advances to banks £'000	Loans and advances to customers £'000	Derivatives £'000	Commitments £'000
AQ 1	18,265	993,522	236,501	841	37,237
AQ 2	-	-	-	-	-
AQ 3	-	278	-	-	500
AQ 4	-	736	7,599	-	2,652
AQ 5	-	-	14,210	-	5,791
AQ 6	-	-	312,256	-	46,946
AQ 7	-	-	14,508	-	3,424
AQ 8	-	-	4,510	-	456
AQ 9	-	51	53	-	121
AQ 10	-	-	3,351	-	-
Accruing past due	-	-	4,638	-	-
Impaired loans	-	-	2,539	-	-
Less impairment provision	-	-	(987)	-	-
Total	18,265	994,587	599,178	841	97,127

16. Risk management (continued)

Credit risk asset quality (continued)

Restated 2016	Cash and balances at central banks £'000	Loans and advances to banks £'000	Loans and advances to customers £'000	Derivatives £'000	Commitments £'000
AQ 1	17,625	849,112	191,964	3,448	32,912
AQ 2	-		-	-	-
AQ 3	-	-	-	-	500
AQ 4	-	-	5,854	-	2,341
AQ 5	-	-	16,312	-	6,065
AQ 6	-	-	351,679	-	49,866
AQ 7	-	-	12,238	-	2,828
AQ 8	-	-	5,537	-	645
AQ 9	-	-	3	-	60
AQ 10	-	-	2,400	-	-
Accruing past due	-	-	4,415	-	-
Impaired loans	-	-	2,314	-	-
Less impairment provision	-	-	(1,027)	-	-
Total	17,625	849,112	591,689	3,448	95,217

Regulatory risk

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Company has capital adequacy requirements imposed by the Isle of Man – Financial Services Authority. The Company is required to report a risk asset ratio to the regulator on a periodic basis. The ratio is calculated as being the percentage of capital to assets, based on the regulators' definitions of capital and assets. This risk asset ratio is required at all times to be above a benchmark percentage provided by the regulator. The Company has been in compliance with capital adequacy requirements in respect of the years ending 31 December 2017 and 2016. The minimum risk to asset ratio in Isle of Man is 10%.

As at 31 December 2017 there were 10 (2016: 10) credit exposures (including guarantees) with a total value of £223,667k (2016: £236,729k) which individually exceed 10% of the adjusted capital base. The total value of credit exposures is £193,638k (2016: £278,512k).

ALCO reviews the capital structure of the Company on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital, along with considering compliance of regulatory requirements. Based on recommendations of the committee, the Company will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people, systems or from external events. The Company's business units manage this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements.

16. Risk management (continued)

Pension risk

Pension risk is the risk to the Company arising from its contractual or other liabilities to, or with respect to, its pension schemes, whether established for its employees, for those of a related company or otherwise.

The Company is exposed to risk from its defined benefit pension schemes to the extent that the assets of the schemes do not fully match the timing and amount of the schemes' liabilities. Pension scheme liabilities vary with changes to long-term interest rates, inflation, pensionable salaries and the longevity of scheme members as well as changes in legislation. Ultimate responsibility for the Company's pension schemes is separate from the Company's management. The Company is exposed to the risk that the market value of the schemes' assets, together with future returns and any additional future contributions could be considered insufficient to meet the liabilities as they fall due. In such circumstances, the Company could be obliged, or may choose, to make additional contributions to the schemes or be required to hold additional capital to mitigate such risk.

Risk appetite and investment policy are agreed by the trustees with quantitative and qualitative input from the scheme actuaries and investment advisers. The trustees also consult with the Company to obtain its view on the appropriate level of risk within the pension funds. The Company independently monitors risk within its pension funds as part of the Internal Capital Adequacy Assessment Process. The RBS Pension Committee (PC), acting as a sub-committee of the RBS Asset and Liability Committee (ALCO), formulates the RBS view of pension risk.

The trustee boards are solely responsible for the investment of the schemes' assets which are held separately from the assets of the Company. The Company and the trustee boards discuss and agree on the investment principles and the funding plan. The schemes are invested in diversified portfolios of equity, government and corporate fixed-interest and index-linked bonds.

Risk has been mitigated in the schemes in a number of ways as follows:

- In 2006, the schemes were closed to new employees.
- From April 2010, the Company confirmed that it was making changes to the schemes by limiting the amount by which pensionable salary increases (the "pensionable salary cap") to 2% per annum (or CPI inflation, if lower).
- In October 2012, the Company confirmed that it was offering employees in the schemes the choice between an increase of 5% of salaries to the charge made for scheme membership and an increase in Normal Pension Age from 60 to 65 in respect of service from October 2012 with no additional charge.

A funding valuation of the IOMBPF at 31 December 2015 is currently ongoing and is expected to be finalised during 2018. Given improvements in the funding position, annual deficit contributions have been suspended whilst discussions are ongoing.

17. Contingent liabilities and commitments

The amounts shown in the table below are intended only to provide an indication of the volume of business outstanding at 31 December 2017. Although the Company is exposed to credit risk in the event of non-performance of the obligations undertaken by customers, the amounts shown do not, and are not intended to, provide any indication of the Company's expectation of future losses.

	2017 £'000	2016 £'000
Contingent liabilities:		
Guarantees	**1,156**	1,137
Other contingent liabilities	**1,121**	186
Total contingent liabilities	**2,277**	1,323
Commitments:		
Undrawn formal standby facilities, credit lines and other commitments to lend	**97,127**	95,217

Banking commitments and contingent obligations, which have been entered into on behalf of customers and for which there are corresponding obligations from customers, are not included in assets and liabilities. The Company's maximum exposure to credit loss, in the event of non-performance by the other party and where all counterclaims, collateral or security proves valueless, is represented by the contractual nominal amount of these instruments included in the table. These commitments and contingent obligations are subject to the Company's normal credit approval processes and any potential loss is taken into account in assessing provisions for bad and doubtful debts in accordance with the Company's provisioning policy.

Contingent liabilities

These include standby letters of credit, supporting customer debt issues, contingent liabilities relating to customer trading activities such as those arising from performance and customs bonds, warranties and indemnities and obligations to The Royal Bank of Scotland plc.

Additional contingent liabilities arise in the normal course of the Company's business. It is not anticipated that any material loss will arise from these transactions.

Commitments

Commitments to lend – under a loan commitment the Company agrees to make funds available to a customer in the future. Loan commitments, which are usually for a specified term may be unconditionally cancellable or may persist, provided all conditions in the loan facility are satisfied or waived. Commitments to lend include commercial standby facilities and credit lines, liquidity facilities to commercial paper conduits and unutilised overdraft facilities.

Commitments under non-cancellable operating leases are detailed in note 15.

Litigation

The Company is involved in litigation involving claims by and against it which arise in the ordinary course of business. The directors of the Company, after reviewing the claims pending and threatened against the Company, and taking into account the advice of the relevant legal advisers, are satisfied that the outcome of these claims are unlikely to have a material adverse effect on the net assets of the Company.

18. Net cash inflow from operating activities

	2017 £'000	Restated 2016 £'000
Net cash inflows from trading activities	9,489	4,880
Increase in loans and advances to banks and customers	(153,599)	(60,427)
Decrease/(increase) in derivatives	2,607	(2,555)
Increase in prepayments, accrued income and other assets	(1,842)	(4,113)
Changes in operating assets	(152,834)	(67,095)
Increase in deposits by banks and customers	154,814	70,741
Decrease/(increase) in derivatives	(4,271)	4,715
Decrease/(increase) in accruals, deferred income and other liabilities	(3,946)	3,793
Changes in operating liabilities	146,597	79,249
Taxes paid	(482)	(1,239)
Net cash inflow from operating activities	2,770	15,795

19. Analysis of cash and cash equivalents

	2017 £'000	2016 £'000
At 1 January		
Cash and balances at central banks	19,355	18,795
Net cash flow	(19)	477
Effect of exchange rate changes on cash and cash equivalents	(6)	83
At 31 December	19,330	19,355
Comprising:		
Cash and balances at central banks	18,265	17,625
Loans and advances to banks	1,065	1,730
	19,330	19,355

20. Other cash flow information

	2017 £'000	2016 £'000
Interest received	23,710	23,875
Interest paid	(7,426)	(8,813)
	16,284	15,062

21. Related parties

The Company's immediate parent company is The Royal Bank of Scotland International (Holdings) Limited.

The Company's ultimate holding company, and the parent of the largest group into which the Company is consolidated into is The Royal Bank of Scotland Group plc.

UK Government

The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc. Its shareholding is managed by UK Financial Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

(a) Transactions with key management

For the purposes of IAS 24 'Related Party Disclosure', key management comprise the directors of the Company. The following amounts are attributable, in aggregate, to key management:

	2017 £'000	2016 £'000
Customers accounts	-	5

Key management have banking relationships with Group entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

(b) Related party transactions

	2017 £'000	2016 £'000
Assets		
Loans and advances to banks:		
RBS entities	992,446	846,519
Liabilities		
Deposits by banks:		
RBS entities	32,960	36,600
Income		
Interest received:		
RBS entities	4,161	5,387
Total income	4,161	5,387
Expenses		
Interest paid:		
RBS entities	5,273	5,313
Management recharge from RBS International Limited	6,411	6,044
Total expenses	11,684	11,357

During the year, tangible fixed assets with net book value of £1,264k were transferred from RBSI to IOMB. This resulted in an intercompany position between RBSI and IOMB of £1,264k.

21. Related parties (continued)

(c) Compensation of key management

The aggregate remuneration of directors and other members of key management during the year was as follows:

	2017 £'000	2016 £'000
Short term benefits	99	91
Post employment benefits	-	-
Long term benefits	3	38
	102	129

22. Depositors' Compensation Scheme

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

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

During the course of 2009 pursuant to Regulation 14(l)(a) of the Scheme, the Scheme Manager (as defined by Regulation 5(l)) gave the requisite notice to levy an amount on the Company. The initial levy was £350k and was paid in 2009 and recorded as an expense in the Income Statement.

A provision of £700k was also made in 2009 to cover the future estimated cost to the Company of levies made by the Scheme Manager in future years. In both 2010 and 2011 the Company made further £350k annual contributions to the Scheme which was offset against the £700k provision made in 2009. To the best of their knowledge from publicly available information, the Directors believe that there is no further liability to the Scheme at this time.

During 2017, the Depositors' Compensation Scheme Manager issued the Company with an interim distribution of nil (2016: nil), which has been recorded in the Income Statement on page 7. Further distributions from the Scheme Manager are uncertain.

23. Restatement

During the year ended 31 December 2017, an error was identified in the classification of the fair value movement of the hedged risk related to fixed interest rate loans. In prior years, this used to be included within the derivative balance which is not in accordance with the requirements of IAS39 "Financial Instruments: Recognition and Measurement". As a result of this error, loans and advances to customers and derivative assets were restated for prior periods in accordance with IFRS.

In addition to the above adjustment, another error was identified in the deferred hedge valuation relating to 2011. The valuation loss amounting to £590k was omitted during the year, which resulted in overstatement of derivative assets in prior years. In accordance with IFRS, the derivative assets were restated by £590k for two years.

23. Restatement (continued)

BALANCE SHEET *as at 31 December 2015*

	Previously reported 2015 £'000	Adjustment 2015 £'000	Restated 2015 £'000
Assets			
Cash and balances at central banks	17,674	-	17,674
Loans and advances to banks	793,111	-	793,111
Loans and advances to customers	576,535	7,359	583,894
Derivatives	9,598	(7,949)	1,649
Property, plant and equipment	3,540	-	3,540
Prepayments, accrued income and other assets	2,161	-	2,161
Retirement benefit assets	6,427	-	6,427
Total assets	1,409,046	(590)	1,408,456
Liabilities			
Deposits by banks	51,846	-	51,846
Customer accounts	1,254,688	-	1,254,688
Derivatives	14,069	-	14,069
Accruals, deferred income and other liabilities	4,325	-	4,325
Current taxation	1,234	-	1,234
Deferred taxation	652	-	652
Total liabilities	1,326,814	-	1,326,814
Equity			
Shareholder's equity:			
Called up share capital	7,501	-	7,501
Reserves	74,731	(590)	74,141
Total equity	82,232	(590)	81,642
Total liabilities and equity	1,409,046	(590)	1,408,456

23. Restatement (continued)

STATEMENT OF CHANGES IN EQUITY *for the year ended 31 December 2015*

	Previously reported 2015 £'000	Adjustment 2015 £'000	Restated 2015 £'000
Called up share capital			
At 1 January and 31 December	7,501	-	7,501
Retained earnings			
At 1 January	79,897	(590)	79,307
Actuarial losses recognised in defined benefit schemes	2,922		2,922
Deferred tax on actuarial movements recognised on defined benefit schemes	(278)		(278)
Dividends paid	(20,000)	-	(20,000)
Profit for the year	12,190	-	12,190
At 31 December	74,731	(590)	74,141
Shareholder's equity at 31 December	82,232	(590)	81,642

The accompanying accounting policies and notes form an integral part of these financial statements.

23. Restatement (continued)

BALANCE SHEET *as at 31 December 2016*

	Previously reported 2016 £'000	Adjustment 2016 £'000	Restated 2016 £'000
Assets			
Cash and balances at central banks	17,625	-	17,625
Loans and advances to banks	849,112	-	849,112
Loans and advances to customers	583,574	8,115	591,689
Derivatives	12,153	(8,705)	3,448
Property, plant and equipment	3,123	-	3,123
Prepayments, accrued income and other assets	4,328	-	4,328
Retirement benefit assets	9,140	-	9,140
Total assets	1,479,055	(590)	1,478,465
Liabilities			
Deposits by banks	36,600	-	36,600
Customer accounts	1,340,675	-	1,340,675
Derivatives	18,784	-	18,784
Accruals, deferred income and other liabilities	8,118	-	8,118
Current tax	519	-	519
Deferred taxation	914	-	914
Total liabilities	1,405,610	-	1,405,610
Equity			
Shareholder's equity:			
Called up share capital	7,501	-	7,501
Reserves	65,944	(590)	65,354
Total equity	73,445	(590)	72,855
Total liabilities and equity	1,479,055	(590)	1,478,465