Annual Report

and

Accounts

for the year

ended

31 December 2010

WHITEAWAY LAIDLAW BANK LIMITED

Company Number 388466 (England and Wales)

WHITEAWAY LAIDLAW BANK LIMITED
DIRECTORS, OFFICERS AND ADVISERS

Company Number	388466 (England and Wales)	
Board of Directors	+ Graham P Alcock	
	+ Sir Brian G Ivory	
	+ Sir George R Mathewson	(Chairman)
	+ Lindsey McMurray	
	Bruce C Tyler	
	Owen P Woodley	
	David E Cowie	*(resigned 31 January 2011)*
	Douglas J Martin	*(resigned 31 January 2011)*
	Robert W Dyson	*(resigned 31 January 2011)*
	(+ Non-executive directors)	
Registered Office	Lutea House The Drive Warley Hill Business Park Great Warley Brentwood Essex CM13 3BE	
Registered Auditors	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester M3 3EB	

CONTENTS

REPORT OF THE DIRECTORS

The directors have pleasure in submitting the annual report and accounts for the year ended 31 December 2010

REVIEW OF ACTIVITIFS

Whiteaway Laidlaw Bank Limited (the Bank) is an authorised institution under the Financial Services and Markets Act 2000 and is subject to regulation by the Financial Services Authority ("the FSA ')

During the year ended 31 December 2010 the Bank s main activity continued to be the provision of banking services to personal and small business customers (SMF' s)

BUSINESS REVIEW

As anticipated 2010 turned out to be another difficult year for both the UK economy and the banking system

The UK economy failed to move significantly away from sluggish and sporadic improvement The banking system both in the UK and globally also struggled although performance was mixed with state support continuing to assist the weaker major banks whilst strong institutions performed on a more consistent basis with generally better results

The Bank's core market of SME lending remained slow but with an improvement in the overall loan portfolio performance over 2009 a record year for bad debt provisions with a charge for bad debts in the year being £382k (2009 £877k) The Bank continues to pay close attention to the management of its customer relationships with the aim of reducing the risk of loss arising

Throughout 2010 the Bank of England Base Rate remained at its historic low of 0 5% One of the Bank's historic strengths is that it has never been dependent upon the wholesale funds market and as a result has been funded by retail depositors and its own capital base The Bank ended 2010 with a continuing strong and stable level of retail deposits of £29 7m (2009 £30 9m) equivalent to a very healthy 135% of all balances due from borrowers Interest income was 12% ahead of last year reflecting a stabilisation over the 2009 position

Non-interest income continued to decline over last year as a result of applying a lower level of customer fees The Bank has also adopted a highly cautious attitude towards new business in the SME market resulting in fewer new loans being written and, as a consequence there was a reduction in arrangement fee income

Loans and advances to customers ended the year at £22 1m (2009 £27 0m) The decline resulted primarily from a cautious approach to new lending paying due attention to quality and security

As a result of the factors highlighted above of continued tight margins and improved bad debt costs the Bank reported a pre tax loss of £398k This compares with a pre-tax loss of £685k for the 12 month period to 31st December 2009 Despite the loss the Bank's capital position remains strong The Bank is fully funded by retail deposits and its own capital its cost base remains firmly under control

The Regulatory landscape on which the Bank operates continues to undergo significant change and the Bank is working to meet the challenges presented by the FSA's new Liquidity Regime and the implementation of the Consumer Credit Directive The Board foresees a gradual improvement in UK economic growth for 2011

However the Bank has undergone a significant post balance sheet event in that it was sold by Manchester Building Society to Laidlaw Acquisitions Limited which is an investment vehicle of the RBS Special Opportunities Fund on 31 January 2011 Change in control was granted by the Financial Services Authority on that date The new owners have plans to maintain and expand the retail deposit base through the issuance of further investment accounts but continue to fund SME's through commercial mortgage and secured lending products thereby maintaining the Bank's activity in this vital core market segment of the UK economy

REPORT OF THE DIRECTORS *(continued)*

MANAGEMENT OF RISK

The management of risk is a fundamental aspect of the Bank's policies To achieve this the Board of Directors is committed to maintaining a strict and practical control culture whereby proper controls exist to protect the Bank from financial and reputational risk, ensuring that at all times the Bank complies with all relevant legislation In its management of operational risk, it is the Bank's policy to protect its staff, customers and its own reputation and assets from physical risk and financial loss through fraud or avoidable error The Bank's policies and procedures are designed to prevent irregularities arising from human error or misconduct, systems failure or inadequate procedures and controls In addition the Bank has in place a business disaster recovery plan

Details of the Bank's financial risk objectives, policies and management are given in note 16 of the accounts

DIRECTORS

The names of the directors who held office throughout the year are shown on the contents page

RELATED PARTY TRANSACTIONS

Banks are obliged by law to observe a strict duty of confidentiality in respect of their customers' affairs and this is recognised in Financial Reporting Standard No 8 ("Related Party Disclosures") The Bank does not have any transactions with its directors and other related parties which are outside the terms of normal banking business and therefore no disclosure of these transactions is made

RESULT AND DIVIDEND

The operating loss for the year ended 31 December 2010 was £398,000 (year ended 31 December 2009 - £685 000 loss) No dividend was paid or proposed in the period (year ended 31 December 2009 - nil)

EMPLOYEE INVOLVEMENT

Employees are consulted by the Bank with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests Information on matters of concern to employees is also disseminated through meetings publications and electronic media

EMPLOYMENT OF DISABLED PERSONS

The Bank supports the employment of disabled people wherever possible through recruitment, by retention of those who become disabled during their employment and generally through training career development and promotion

REPORT OF THE DIRECTORS *(continued)*

CREDITOR PAYMENT

For all trade creditors it is the Bank's policy to

- o agree and confirm the terms of payment at the commencement of business with that supplier
- o pay in accordance with contractual and other legal obligations

Trade creditor days at 31 December 2010 were 34 days (31 December 2009 - 17 days)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period In preparing these financial statements the directors are required to

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

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as each of the directors is aware

- o there is no relevant audit information of which the Bank's auditors are unaware, and
- o the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

AUDITORS

An elective resolution was passed on 28 April 1997 which dispenses with the obligation to appoint auditors annually Consequently ratification of Grant Thornton UK LLP's appointment will not be required at an Annual General Meeting

By order of the Board

G P Alcock
Director
27 April 2011

INDEPENDENT AUDITOR'S REPORT

To the members of
Whiteaway Laidlaw Bank Limited

We have audited the financial statements of Whiteaway Laidlaw Bank Limited for the year ended 31 December 2010 which comprise the profit and loss account and balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement as set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/ apb/ scope/ private.cfm

Opinion on financial statements
In our opinion the financial statements

- o give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- o have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- o have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion.

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

Grant Thornton UK LLP.

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
27 April 2011

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2010

	Notes	2010 £ 000	2009 £ 000
Interest receivable			
Interest receivable and similar income from debt securities		0	182
Other interest receivable and similar income		1,497	1,338
Total interest receivable		1,497	1,520
Interest payable		(709)	(716)
Net interest income		788	804
Fees and commissions receivable	1	521	700
Fees and commissions payable		(100)	(92)
Dealing profits	2	18	21
Operating income		1,227	1,433
Administrative expenses	3	(1,233)	(1,242)
Depreciation	10	(10)	(49)
Provision for bad and doubtful debts	6	(382)	(877)
Release of provision for contingent liabilities and commitments		0	50
Operating loss and loss profit on ordinary activities before tax		(398)	(685)
Tax on loss on ordinary activities	7	110	193
Loss on ordinary activities after tax for the financial year		(288)	(492)

All of the above amounts are in respect of continuing operations

The Bank has no recognised gains and losses other than those included in the profit and loss account

There is no difference between the profit on ordinary activities before tax and the retained profit for the year stated above and their historical cost equivalents

The accounting policies and notes, on pages 7 to 18, form an integral part of these financial statements

BALANCE SHEET

as at 31 December 2010

	Notes	2010 £ 000	2009 £ 000
Assets			
Loans and advances to banks	8	16,675	13,512
Loans and advances to customers	9	22,098	26,967
Tangible fixed assets	10	13	18
Prepayments and accrued income		305	368
Corporation tax and deferred tax	7	151	239
Total assets		39,242	41,104
Liabilities			
Customer accounts	11	29,657	30,944
Amounts owed to group undertakings		0	327
Other liabilities	12	203	163
Subordinated debt	18	5,000	5,000
Called up equity share capital	13	2,000	2 000
Profit and loss account	14	2,382	2 670
Equity shareholders' funds	14	4,382	4,670
Total liabilities		39,242	41 104
Memorandum items			
Contingent liabilities			
Guarantees issued	15	277	292
Commitments	15	1,099	3 557

The accounting policies and notes on pages 7 to 18 form an integral part of these financial statements

The financial statements on pages 5 to 18 were approved by the Board of Directors on 27 April 2011 and are signed on its behalf by

G R Alcock Director

B C Tyler Director

ACCOUNTING POLICIES

(a) Basis of accounting
The accounts have been prepared under the historical cost convention, in accordance with the provisions relating to banking companies in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 UK applicable Accounting Standards and Statement of Recommended Accounting Practice issued by the British Bankers' Association, which have been consistently applied

(b) Cash flow statement
At the year end the Bank is a wholly owned subsidiary of Manchester Building Society and its cash flows are included in the consolidated cash flow statement of Manchester Building Society Consequently, the Bank is exempt from the requirement to publish a cash flow statement in these financial statements

(c) Bad and doubtful debts
Provisions are made to reduce the values of loans and advances to the amount which management considers is likely to be recoverable Throughout the period and at the period end, assessments are made of all loans and advances which are in arrears Specific provisions are made against those loans and advances when it is considered that their circumstances make full recovery doubtful A general provision is made against loans and advances to cover bad and doubtful debts which have not been separately identified but which are known from experience to be present in any portfolio of loans and advances The general provision is determined using management judgement, lending quality and economic prospects and is currently calculated at 3 42% of outstanding loan balances which are each individually less than £25,000 The rate used for the general provision is based on the preceding year's bad debt experience The charge to the profit and loss account represents new or additional provisions made, less any reduction in provisions or recoveries of amounts previously provided Interest which is considered irrecoverable, where the normal lending relationship has ceased is suspended Interest up to that time is credited to income and provision made as appropriate Advances are shown on the balance sheet after deducting these provisions

(d) Income
Interest and charges receivable on lending and finance are credited to profit on an accruals basis Commitment and other banking fees are credited to profit when due and payable

(e) Interest payable
Interest payable on lending and finance is debited against profit on an accruals basis

(f) Related party transactions
The Bank has taken advantage of the exemption available under Financial Reporting Standard No 8 ("Related Party Disclosures") not to disclose any transactions with the ultimate parent company and fellow subsidiary undertakings, or any banking transactions that would breach client confidentiality

(g) Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling on the balance sheet date Income and expenses, which arose originally in foreign currencies, are translated daily into sterling at the prevailing rate

(h) Tangible fixed assets and depreciation
Depreciation on assets is calculated on the straight-line basis to write off the cost of assets at the following annual rates

Office equipment	20% - 33%
Fixtures and fittings	10%

(i) Pensions - defined contribution scheme
The costs of the Bank's defined contribution pension arrangements are charged to the profit and loss account on the basis of contributions payable in respect of the accounting period

(j) Deferred taxation
In accordance with Financial Reporting Standard No 19 ("Deferred tax") deferred taxation is fully provided in respect of timing differences to the extent that it is probable that a liability will arise or that an asset will be recoverable in the foreseeable future Deferred tax balances are not subject to discounting

(k) Operating lease agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

NOTES TO THE ACCOUNTS

1 INCOME AND TURNOVER

Fees and commissions receivable comprises income for the banking services provided to personal and SME customers

2 DEALING PROFITS

Dealing profits comprise profits on the purchase and sale of foreign currencies to customers and on the revaluation of the Bank's foreign currency assets and liabilities

3 ADMINISTRATIVE EXPENSES

	2010	2009
	£ 000	£ 000
Staff costs		
Wages and salaries	692	657
Social security costs	65	64
Other pension costs	58	49
Total staff costs	815	770
Other administrative costs	418	472
	1,233	1,242

The auditors' remuneration was £40,000 for audit services (2009 - £26,000) £6,000 of fees were paid by the Bank to the auditors in relation to work on taxation (2009 - £3 000)

Operating lease rental costs of £50 300 for land and buildings were charged in the year (2009 - £50 300)

4 NUMBER OF EMPLOYEES

	31 December 2010	31 December 2009
	Full time	Full time
The average number of persons employed by the Bank during the year was		
Sales staff	2	2
Administrative staff	17	17
	19	19

5 EMOLUMENTS OF DIRECTORS

	2010	2009
	£000	£000
Emoluments	160	159
Pension contributions to money purchase schemes	15	15
Aggregate emoluments	175	174

Messrs Cowie and Dyson are directors of Manchester Building Society, they are paid by Manchester Building Society and no direct recharge was made to the Bank for their services The above details include no emoluments in respect of Messrs Cowie and Dyson, whose total emoluments are included in the directors' emoluments disclosed in the financial statements of Manchester Building Society

During the year 1 (2009 1) director participated in a money purchase pension scheme

6 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Specific £ 000	General £ 000	Total £ 000
At 1 January 2010	1,320	49	1 369
Charge to/(release from) the profit and loss account	399	(17)	382
Amounts applied in writing off advances	(292)	-	(292)
At 31 December 2010	1 427	32	1,459

In addition to the above is a provision of £127,000 (2009 £87,000) in relation to interest which is considered irrecoverable and has been suspended from the appropriate assets in the balance sheet

7 TAXATION ON THE LOSS FOR THE YEAR

	2010 £ 000	2009 £ 000
Current tax .		
UK corporation on losses of the period	(119)	(201)
Deferred Tax .		
Origination and reversal of timing differences	9	(6)
Decrease of general bad debt provisioning	-	14
Change in future tax rate	-	-
Total deferred tax	9	8
Tax on loss on ordinary activities	(110)	(193)

The tax assessed for the period is lower (year to 31 December 2009 - lower) than the standard rate of corporation tax in the UK (28%) The differences are explained below

	2010 £ 000	2009 £ 000
Loss on ordinary activities before tax	(398)	(685)
Loss on ordinary activities multiplied by standard rate in the UK 28% (year to 31 December 2009 - 28%)	(111)	(192)
Effects of		
Accelerated capital allowances and other timing differences	(5)	(9)
Other short term timing differences	(5)	-
Adjustment in respect of prior periods	2	-
Current tax for the period	(119)	(201)

There is a deferred tax asset of £30,000 (31 December 2009 - £39,000) represents the effect of timing differences The movement in the period represents the charge (year to 31 December 2009 - charge) to the profit and loss account as shown above

NOTES TO THE ACCOUNTS *(continued)*

8 LOANS AND ADVANCES TO BANKS

	At 31 December 2010 £ 000	At 31 December 2009 £ 000
Repayable on demand	**16,675**	13 512

9 LOANS AND ADVANCES TO CUSTOMERS

	At 31 December 2010 £ 000	At 31 December 2009 £ 000
Repayable on demand	**2,738**	9 275
Other loans and advances repayable in		
Not more than three months	**450**	1,744
Three months to six months	**480**	673
Six months to one year	**1,261**	923
One year to five years	**7,087**	6,906
More than five years	**10,082**	7 446
	22,098	26,967

NOTES TO THE ACCOUNTS *(continued)*

10 TANGIBLE FIXED ASSETS

	Fixtures, fittings & equipment £ 000
Cost	
At 1 January 2010	162
Additions	5
Disposals	(26)
At 31 December 2010	141
Depreciation	
At 1 January 2010	144
Charge for year	10
Disposals	(26)
At 31 December 2010	128
Net book value	
At 31 December 2010	13
At 31 December 2009	18

11 CUSTOMER ACCOUNTS

	At 31 December 2010 £ 000	At 31 December 2009 £ 000
Repayable on demand	**11,357**	10 340
With agreed maturity dates or periods of notice and repayable in		
Not more than three months	**18,282**	20,517
Three months to one year	**18**	87
	29,657	30,944

12 OTHER LIABILITIES

	At 31 December 2010 £ 000	At 31 December 2009 £ 000
Other creditors	**203**	163

13 CALLED UP SHARE CAPITAL

	At 31 December 2010	At 31 December 2009
	£ 000	£ 000
Authorised		
30,000 000 ordinary shares of £1 each	30,000	30,000
Allotted and fully paid		
2,000,000 ordinary shares of £1 each	2,000	2 000

On the 31 January 2011 the company issued 11,625 000 ordinary shares of £1 each to Laidlaw Acquistions Limited for a total consideration of £11,625,000

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital	Profit and loss account	Total shareholders' funds
	£ 000	£ 000	£ 000
At 31 December 2009	2,000	2,670	4,670
Loss for the period	-	(288)	(288)
Dividends paid	-	-	-
At 31 December 2010	2,000	2,382	4,382

15 CONTINGENT LIABILITIES AND COMMITMENTS

The nominal value and risk weighted amounts of contingent liabilities and commitments are shown on the next page The nominal contract amounts indicate the volume of business at the balance sheet date but not the amounts at risk The risk weighted amounts have been calculated in accordance with the FSA's guidelines implementing the Capital Requirements Directive

The Bank has a contingent liability in respect of contributions to the Financial Services Compensation Scheme ('FSCS') required by the Financial Services and Markets Act A further assessment of this liability is considered below

During 2008 and 2009 a number of institutions were declared in default by the FSA Following the failure of these businesses, claims were made on the FSCS In the event that other UK deposit taking institutions fail, there may be further claims made on the FSCS

In order to fund the claims made under its terms of operation, the FSCS has borrowed from the Bank of England and HM Treasury The FSCS pays interest only on these loans for the first three years and recovers the interest cost by way of annual levies on all UK banks and building societies over this period The FSCS is due to benefit from any realisations that arise in the failed institutions If there is insufficient value arising on realisation in order to repay its loans, then the FSCS may incur further costs

The FSCS has provided deposit takers with details of the calculations that it undertakes to determine the levy However these calculations are subject to future changes in interest rates and levels of deposits held by each UK deposit taker Therefore there is inherent uncertainty regarding the totality of the levy that the Bank will have to pay Based on current interest rates the Bank has made provision for £20,000 to cover anticipated interest levies due in 2011 and 2012

15 CONTINGENT LIABILITIES AND COMMITMENTS *(continued)*

	At 31 December 2010 Contract amount £ 000	At 31 December 2010 Risk weighted amount £ 000	At 31 December 2009 Contract amount £ 000	At 31 December 2009 Risk weighted amount £ 000
Contingent liabilities				
Guarantees issued	277	277	292	292
Commitments				
Undrawn lending facilities	1,099	-	3 557	-

The Bank has the following commitments under uncancellable operating leases

	At 31 December 2010 £ 000	At 31 December 2009 £ 000
Obligations under operating leases for land and buildings comprise		
Expiring after 5 years	92	92

16 FINANCIAL INSTRUMENTS

The Bank's policies for the holding and issuing of financial instruments are set out below Financial Reporting Standard No 25 ("Financial instruments Disclosure and presentation") requires disclosure of the significance of financial instruments to an entity's financial performance and cash flows It further requires a description of the financial risk management objectives and policies of an entity, a discussion of the extent of the use of financial instruments the risks involved in their use and the business purposes served These matters and management policies for controlling the risks associated with financial instruments are dealt with below Financial Reporting Standard No 13 ("Derivatives and Financial instruments") also requires numerical disclosures in respect of financial assets and liabilities and again these are included below Short-term debtors and creditors are excluded from these disclosures in accordance with the exemption available under the Standard

Financial instruments are fundamental to the business of the Bank and are used to enable the Bank to achieve its objectives in the management of

a) surplus funds by placement in the money markets in accordance with the formal large exposure policy and liquidity policy documents approved by the Board and
b) buying and selling of foreign currencies to and from customers and in identifying and covering any resultant foreign currency exposures

Within its operations the Bank holds financial instruments in the following main categories

Loans and deposits are undertaken with other institutions and retail customers They are held on a continuing basis to earn cash flows from the net interest margin and fee income over the life of the instruments or customer relationships

Investments in debt securities are held as necessary to accord with liquidity policy requirements and to generate sustainable income streams on a continuing basis

Funding of the Bank's business is entirely from capital and reserves and customer deposits with no call on the wholesale money markets

The Bank's dealings in these financial instruments expose it to the following principal risks interest rate risk liquidity risk, credit risk and exchange rate risk The Board annually reviews and agrees policies for managing each of these risks

Interest rate risk

The Bank is exposed to movements in interest rates This exposure is managed by continuous monitoring of the interest rate profile of its assets and liabilities to allow appropriate action to be taken

Interest rate risk profile

The interest rate risk profile of the Bank's loans and advances is as follows

	Floating rate loans and advances	Fixed rate loans and advances	Loans and advances on which no interest is earned	Total	Fixed rate loans and advances: Weighted average interest rate	Fixed rate loans and advances: Weighted average period for which rate is fixed
	£ 000	£ 000	£ 000	£ 000		Years
At 31 December 2010	30,155	8,351	267	38,773	6 0%	2 96
At 31 December 2009	33,860	5 334	1,285	40,479	6 4%	3 15

The maturity profile of the Bank's loans and advances is given in notes 8 and 9 and there is no difference between the carrying amount and their fair value Loans and advances on which no interest is earned are treated as repayable on demand, this being consistent with the prior year

16 FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk profile (continued)

The fixed rate loans and advances and debt securities were subject to the following repricing periods

	At 31 December 2010 £ 000	At 31 December 2009 £ 000
No repricing period	-	-
Not more than three months	243	289
In more than three months but not more than six months	2	197
In more than six months but not more than one year	-	-
In more than one year but not more than five years	7,958	4,848
In more than five years	148	-
	8,351	5 334

The interest rate risk profile of the Bank's financial liabilities is as follows

	Floating rate financial liabilities £ 000	Fixed rate financial liabilities £ 000	Financial liabilities on which no interest is paid £ 000	Total £ 000	Fixed rate liabilities: Weighted average interest rate	Fixed rate liabilities: Weighted average period for which rate is fixed Years
At 31 December 2010	25,386	132	4,139	29,657	0 3%	-
At 31 December 2009	27,075	468	3 728	31 271	0 4%	-

The maturity profile of the Bank's financial liabilities is given in note 11 Financial liabilities on which no interest is paid are treated as repayable on demand, this being consistent with the prior year

The fixed rate financial liabilities were subject to the following repricing periods

	At 31 December 2010 £ 000	At 31 December 2009 £ 000
Not more than three months	115	381
In more than three months but not more than six months	17	87
	132	468

16 FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk profile (continued)

The interest rate sensitivity exposure at 31 December 2010 and 31 December 2009 was

	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than a year	More than 1 year but not more than 5 years	More than 5 years	Non-interest bearing	Total
31 December 2010	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Assets							
Loans and advances to banks	16,641	-	-	-	-	34	16 675
Loans and advances to customers	13 796	2	-	7,970	330	-	22,098
Debt securities	-	-	-	-	-	-	-
Tangible fixed assets	-	-	-	-	-	13	13
Other assets	-	-	-	-	-	456	456
Total assets	30 437	2	-	7,970	330	503	39,242
Liabilities							
Customer accounts	25,500	17	-	3 500	-	640	29 657
Amounts owed to group undertakings	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	203	203
Subordinated debt	5 000	-	-	-	-	-	5 000
Called up equity share capital	-	-	-	-	-	2 000	2 000
Profit and loss account	-	-	-	-	-	2,382	2,382
Total liabilities	30,500	17	-	3,500	-	5,225	39 242
Interest rate sensitivity gap	(63)	(15)	-	4,470	330	(4,722)	-
31 December 2009	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Assets							
Loans and advances to banks	13,489	-	-	-	-	23	13,512
Loans and advances to customers	21,849	198	-	4,920	-	-	26,967
Debt securities	-	-	-	-	-	-	-
Tangible fixed assets	-	-	-	-	-	18	18
Other assets	-	-	-	-	-	607	607
Total assets	35,338	198	-	4,920	-	648	41 104
Liabilities							
Customer accounts	27 128	87	-	3 500	-	229	30,944
Amounts owed to group undertakings	327	-	-	-	-	-	327
Other liabilities	-	-	-	-	-	163	163
Subordinated debt	5,000	-	-	-	-	-	5,000
Called up equity share capital	-	-	-	-	-	2 000	2,000
Profit and loss account	-	-	-	1 420	-	1,250	2,670
Total liabilities	32 455	87	-	4 920	-	3,642	41,104
Interest rate sensitivity gap	2,883	111	-	-	-	(2,994)	-

16 FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

The Bank's policy is to maintain sufficient liquid resources to cover cash flow imbalances, fluctuations in funding and to enable the Bank to meet its financial obligations when they fall due This policy is achieved by monitoring daily the maturity profile of the Bank's liquid assets against funding requirements, to allow appropriate action to be taken

Borrowing facilities

The Bank had an undrawn facility at 31 December 2010 of £0 5 million (31 December 2009 - £0 5 million)

Liquid assets

Liquid assets as included within the Bank's financial statements, where both book value and fair value are equal are

	At 31 December 2010 £ 000	At 31 December 2009 £ 000
Bank balances and cash	**16,675**	13 512

Credit risk

Credit risk is the risk that bank and customer counterparties will not meet their financial obligations resulting in loss to the Bank This risk is managed by the application of the Bank's credit control policies including the large exposure policy which requires the setting of counterparty and country limits for treasury and foreign exchange exposure and the regular monitoring of their utilisation

Collateral and netting

The Bank enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral Master agreements provide that, if an event of default occurs all outstanding transactions with the counterparty will be terminated and all outstanding amounts will be settled on a net basis

Transactions with positive fair values are netted against transactions with negative fair values where the Bank has the ability to insist on net settlement, based on a legal right that is designed to survive the insolvency of the counterparty

The Bank holds collateral in respect of credit related instruments in accordance with Bank policy, given the customer's financial position and the overall banking relationship

Credit related instruments

Credit related instruments are treated as contingent liabilities and these are not shown on the balance sheet unless and until the Bank is called upon to make a payment under the instrument Fees received for providing these instruments are taken to profit over the life of the instrument and reflected in fees and commissions receivable

Exchange rate risk

The Bank engages in both spot and forward foreign exchange transactions on behalf of its customers and covers these with the Royal Bank of Scotland plc Exchange rate risk is therefore limited to the foreign currency balances held in the Bank's nostro accounts, on which an internal limit of £350,000 in total is imposed

As at 31 December 2010 the Bank had a net foreign currency monetary asset of £24,000 (31 December 2009 - £14,000)

17 FOREIGN CURRENCY ASSETS AND LIABILITIES

The following amounts included in the Bank's balance sheet are denominated in foreign currencies

	At 31 December 2010 £ 000	At 31 December 2009 £ 000
Assets	53	129
Liabilities	29	115

18 SUBORDINATED DEBT

On 7 February 2008, the Bank issued £5m of subordinated loan notes which met all of the necessary conditions that allow them to be treated within the Bank's regulatory capital These notes were subscribed for by Manchester Building Society The loans attract a variable rate of interest and have no ultimate repayment date but can be repaid at the Bank's option With the change of ownership, as detailed in note 21, these notes have been retained as part of the Bank's capital and the intention is to have these converted to equity in 2011

19 PENSION AND OTHER POST RETIREMENT BENEFITS

The Bank provides pension benefits to its employees through membership of a defined contribution scheme operated by its parent company, Manchester Building Society The assets of the defined contribution scheme are held in an independently administered fund The cost of providing these pension benefits, as recognised in the profit and loss account, comprises the amount of contributions payable by the Bank to the pension scheme in respect of the accounting period

20 RELATED PARTY TRANSACTIONS

Under the terms of Financial Reporting Standard No 8, the Bank has taken advantage of the exemption from disclosing transactions with companies which are subject to 90% or more control within the same group, as consolidated financial statements in which the Bank is included are publicly available (note 21)

21 ULTIMATE PARENT COMPANY

Whiteaway Laidlaw Bank Limited was a wholly owned subsidiary of Manchester Building Society until 31 January 2011 Copies of Manchester Building Society's group accounts can be obtained from The Secretary, Manchester Building Society, 125 Portland Street, Manchester M1 4QD

On 31 January 2011 Manchester Building Society sold its interest in the Bank, for cash consideration to a holding company Laidlaw Acquisitions Limited, established by the RBS Special Opportunities Fund ("RBSSOF")