

Company Registered No: 03930934

GL LEASE COMPANY NO.10 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2010

**Group Secretariat
The Royal Bank of Scotland Group plc
PO Box 1000
Gogarburn
Edinburgh
EH12 1HQ**

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DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2010

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**N T J Clibbens
C F Glenn
I J Isaac
B K Weir**

SECRETARY:

L H Cameron

REGISTERED OFFICE:

**3 Princess Way
Redhill
Surrey
RH1 1NP**

AUDITOR:

**Deloitte LLP
St Albans**

Registered in England and Wales.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2010

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption.

Activity

The principal activity of the company continues to be the provision of residual value guarantees

Review of the year

Business review

The directors are satisfied with the company's performance in the year

Financial performance

The retained profit for the year was £148,888 (2009 retained profit £130,084) and this was transferred to reserves. No interim dividend was paid during the year (2009 £1,827)

Going concern

The directors, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year, are listed on page 1

DIRECTORS' RESPONSIBILITIES STATEMENT

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 a directors' report and financial statements for each financial year and the directors have elected to prepare them in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year of the company.

DIRECTORS' REPORT (continued)**DIRECTORS' RESPONSIBILITIES STATEMENT (continued)**

In preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions of the entity's financial position and performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the directors' report and financial statements comply with the requirements of the Companies Act 2006. 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.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors at the date of approval of this report confirms that


- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the company's auditor is aware of that information.

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

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor.

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



N T J Clibbens

Director

Date 31 MAY 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GL LEASE COMPANY NO.10 LIMITED

We have audited the financial statements of GL Lease Company No 10 Limited ('the company') for the year ended 31 December 2010 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GL LEASE COMPANY
NO.10 LIMITED (continued)**

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

- adequate accounting records have not been kept, 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report

Paul Schofield,

Paul Schofield (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor,
St Albans, United Kingdom
Date 3 June 2011

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

Continuing operations	Notes	2010 £	2009 £
Revenue	3	59,046	59,047
Operating expenses	4	(32,000)	(40,000)
Operating profit		27,046	19,047
Fair value gains		141,924	151,758
Finance income	5	40,929	9,868
Finance costs	6	(1,940)	-
Profit before tax	7	207,959	180,673
Tax charge	8	(59,071)	(50,589)
Profit and total comprehensive income for the year		148,888	130,084

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

BALANCE SHEET
 as at 31 December 2010

	Notes	2010 £	2009 £
Non-current assets			
Derivatives	10	3,645,458	3,503,534
Current assets			
Loans and receivables	11	903,324	1,350,038
Prepayments and accrued income	12	34,545	-
Trade and other receivables	13	4	4
		<u>937,873</u>	<u>1,350,042</u>
Total assets		<u>4,583,331</u>	<u>4,853,576</u>
Current liabilities			
Accruals and deferred income	14	91,046	99,046
Tax payable		<u>53,121</u>	<u>113,501</u>
		<u>144,167</u>	<u>212,547</u>
Non-current liabilities			
Accruals and deferred income	14	34,761	93,807
Deferred tax liability	15	<u>633,535</u>	<u>760,242</u>
		<u>668,296</u>	<u>854,049</u>
Total liabilities		<u>812,463</u>	<u>1,066,596</u>
Equity			
Share capital	17	4	4
Retained earnings		<u>3,770,864</u>	<u>3,786,976</u>
Total equity		<u>3,770,868</u>	<u>3,786,980</u>
Total liabilities and equity		<u>4,583,331</u>	<u>4,853,576</u>

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

31 MAY 2011

The financial statements of were approved by the Board of directors on and signed on its behalf by



N T J Clibbens
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	Notes	Share capital £	Retained earnings £	Total £
At 1 January 2009		4	3,658,719	3,658,719
Profit for the year		-	130,084	130,084
Dividends paid	9	-	(1,827)	(1,827)
At 31 December 2009		4	3,786,976	3,786,980
Profit for the year		-	148,888	148,888
Contributions to group undertakings	19	-	(165,000)	(165,000)
At 31 December 2010		4	3,770,864	3,770,868

Total comprehensive income for the year of £148,888 (2009 £130,084) was wholly attributable to the owners of the company

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

CASH FLOW STATEMENT
for the year ended 31 December 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Profit for the year before tax		207,959	180,673
Adjustments for:			
Fair value gains		(141,924)	(151,758)
Finance income	5	(40,929)	(9,868)
Finance costs	6	1,940	-
Operating cash flows before movements in working capital		27,046	19,047
Decrease in trade and other payables		(67,046)	(56,045)
Increase in prepayments and accrued income		(34,545)	-
Decrease in amounts owed by group undertakings		446,714	41,885
Net cash from operating activities before tax		372,169	4,887
Tax paid		(246,158)	(12,928)
Interest received		40,929	9,868
Interest paid		(1,940)	-
Net cash flows from operating activities		165,000	1,827
Net cash flows from investing activities		-	-
Cash flows from financing activities			
Dividends paid	9	-	(1,827)
Contributions to group undertakings		(165,000)	-
Net cash flows from financing activities		(165,000)	(1,827)
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Presentation of accounts**

The accounts are prepared on a going concern basis (see the Directors' Report) and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS)

The company is incorporated in the UK and registered in England and Wales

The accounts are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value derivative financial instruments

The company's accounts are presented in accordance with the Companies Act 2006

Adoption of new and revised standards

There are a number of changes to IFRS that were effective from 1 January 2010. They have had no material effect on the company's financial statements for the year ended 31 December 2010.

b) Revenue recognition

Revenue represents net fees and equipment rental income, on goods held for resale, credited to the statement of comprehensive income and net profit of invoiced sales during the year.

Residual Value Guarantee fees are accrued evenly over the period of the lease to which the Residual Value Guarantee relates except where, at inception, it is anticipated that losses will be incurred on disposal. Where, at inception, losses are anticipated to arise on disposal, fees received at inception of the lease are deferred to match the anticipated loss on disposal.

The company's profits on disposal of assets are recognised as they arise.

Revenue arose in the United Kingdom from continuing activities.

c) Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity. Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****d) Derivatives**

The company has entered into written options to acquire assets from lessors at the end of their respective leases at amounts agreed at the beginning of the related lease contract such as to guarantee a certain return to the lessor. The value of these options changes in response to the uncertainty of the market for that asset as well as general economic conditions and settlement can be made net in cash. These contracts are therefore classified as derivatives under IAS 39.

These derivatives are recognised initially, and subsequently measured, at fair value. Fair value is derived from the expected residual value at maturity of the contract by reference to the Company's past history for values and the Company's projections of the likely future market for each group of assets.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Gains and losses arising from changes in fair value of a derivative are recognised in profit or loss as they arise.

e) Financial assets

On initial recognition, financial assets are classified into held-to-maturity investments, loans and receivables, held-for-trading, designated as at fair value through profit or loss; or available-for-sale financial assets.

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 as held-for-trading, or designated as 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 less any impairment losses.

f) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**1. Accounting policies (continued)****g) Financial liabilities**

On initial recognition financial liabilities are classified into held-for-trading, designated as at fair value through profit or loss, or amortised cost

Amortised cost

Other than derivatives, which are recognised and measured at fair value, all other financial liabilities are measured at amortised cost using the effective interest method

h) Accounting developments

The International Accounting Standards Board (IASB) issued '*Improvements to IFRS*' in May 2010 implementing minor changes to IFRS, making non-urgent but necessary amendments to standards, primarily to remove inconsistency and to clarify wording. The revisions are effective for annual periods beginning on or after 1 July 2010 and are not expected to have a material effect on the company

The IASB issued IFRS 9 'Financial Instruments' in October 2010 simplifying the classification and measurement requirements in IAS 39 'Financial Instruments: Recognition and Measurement' in respect of financial assets and liabilities. The standard reduces the measurement categories for financial assets to two: fair value and amortised cost while keeping categories for liabilities broadly the same. Only financial assets with contractual terms that give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to hold assets in order to collect contractual cash flows are classified as amortised cost. All other financial assets are measured at fair value with changes in value generally taken to profit or loss. The IASB will add impairment and hedging requirements to the standard before it becomes effective for annual periods beginning on or after 1 January 2013, early application is permitted.

This standard makes major changes to the framework for the classification and measurement of financial assets. The company is assessing the effect which also depends on the outcome of the other phases of IASB's IAS 39 replacement project.

The IASB issued 'Disclosures - Transfers of Financial Assets' (Amendments to IFRS 7) in October 2010 to extend the standard's disclosure requirements about derecognition to align with US GAAP. The revisions are effective for annual periods beginning on or after 1 July 2011 and will not affect the financial position or reported performance of the company.

The International Financial Reporting Interpretations Committee issued interpretation IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' in December 2009. The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments. The interpretation, effective for the company for annual periods beginning on or after 1 January 2011, is not expected to have a material effect on the company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. 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. UK company law and IFRS require the directors, in preparing the company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or 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 Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the company's accounting policies that are considered by the 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's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

3. Revenue

	2010 £	2009 £
Fee income	<u>59,046</u>	<u>59,047</u>

4. Operating expenses

	2010 £	2009 £
Audit fees	<u>32,000</u>	<u>40,000</u>

Staff costs, number of employees and directors' emoluments

The Company had no employees in the current year (2009 – none).

Employee costs are incurred by the intermediate parent company, Lombard North Central PLC.

5. Finance income

	2010 £	2009 £
On loans and receivables		
From group undertakings	6,384	9,769
Other	<u>34,545</u>	<u>99</u>
	<u>40,929</u>	<u>9,868</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Finance costs

	2010 £	2009 £
Interest on overdue tax	<u>1,940</u>	<u>-</u>

7. Operating profit before tax

	2010 £	2009 £
Operating profit before tax is stated after charging		
Auditor's remuneration – audit services	<u>32,000</u>	<u>40,000</u>

8. Tax

	2010 £	2009 £
Current taxation		
UK corporation tax charge for the year	184,936	177,296
Underprovision in respect of prior periods	842	-
	<u>185,778</u>	<u>177,296</u>
Deferred taxation		
Credit for the year	(126,707)	(126,707)
Tax charge for the year	<u>59,071</u>	<u>50,589</u>

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 28% (2009 standard tax rate 28%) as follows

	2010 £	2009 £
Expected tax charge	58,229	50,589
Adjustments in respect of prior periods	842	-
Actual tax charge for the year	<u>59,071</u>	<u>50,589</u>

9. Ordinary dividends

	2010 £	2009 £
"A" ordinary shares		
Interim dividend per ordinary share (2009: £914)	-	914
"B" ordinary shares		
Interim dividend per ordinary share (2009: £304)	-	913
	<u>-</u>	<u>1,827</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Derivatives at fair value

The Company has entered into written options to acquire assets from lessors at the end of their respective leases at amounts agreed at the beginning of the related lease contract such as to guarantee a certain return to the lessor. The value of these options changes in response to the uncertainty of the market for that asset as well as general economic conditions and settlement can be made net in cash. These contracts are therefore classified as derivatives under IAS 39.

At the year end, the notional principal amounts of the company's derivatives were as follows

	2010 £	2009 £
Notional principal amounts	17,677,606	17,677,606
Fair value		
Non-current asset	<u>3,645,458</u>	<u>3,503,534</u>

11. Loans and receivables

	2010 £	2009 £
Current		
Amounts owed by group undertakings	<u>903,324</u>	<u>1,350,038</u>

The average effective interest rate over amounts owed by group undertakings approximates 0.5% (2009 0.7%).

The fair value of loans and receivables is considered not to be materially different to the carrying amounts in the balance sheet.

12. Prepayments and accrued income

	2010 £	2009 £
Prepayments	<u>34,545</u>	<u>-</u>

13. Trade and other receivables

	2010 £	2009 £
Other receivables	<u>4</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Accruals and deferred income

	2010 £	2009 £
Non-current		
Deferred income	34,761	93,807
Current		
Accruals	32,000	40,000
Deferred income	59,046	59,046
	<u>91,046</u>	<u>99,046</u>
	<u>125,807</u>	<u>192,853</u>

15. Deferred tax

The following are the major tax assets/liabilities recognised by the company, and the movements thereon

	Fair value gains £
At 1 January 2009	886,949
Credit to income	<u>(126,707)</u>
At 31 December 2009	760,242
Credit to income	<u>(126,707)</u>
At 31 December 2010	633,535

In the Budget on 22 June 2010, the UK Government proposed, amongst other things, to reduce Corporation Tax rates in four annual decrements of 1% with effect from 1 April 2011. The first decrement was enacted in the Finance (No 2) Act 2010. In conjunction, reductions to the rate of capital allowances have also been proposed, to take effect from 1 April 2012. Together as a result of these changes, existing temporary differences may unwind in periods subject to the reduced tax rate giving rise to a reduction of the deferred tax liability. The specific effect has not yet been calculated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments and risk management

(i) Categories of Financial instruments

The following tables analyse the company's financial assets and liabilities in accordance with the categories of financial instruments in IAS 39 "Financial Instruments, Recognition and Measurement". Assets and liabilities outside the scope of IAS 39 are shown separately

2010	Loans and receivables £	Fair value through profit or loss £	Non financial assets/ liabilities £	Total £
Assets				
Derivatives	-	3,645,458	-	3,645,458
Loans and receivables	903,324	-	-	903,324
Prepayments and accrued income	34,545	-	-	34,545
Trade and other receivables	-	-	4	4
	937,869	3,645,458	4	4,583,331
Liabilities				
Accruals and deferred income	-	-	(125,807)	(125,807)
Deferred tax liability	-	-	(633,535)	(633,535)
Tax Payable	-	-	(53,121)	(53,121)
	-	-	(812,463)	(812,463)
Equity				3,770,868
2009	Loans and receivables £	Fair value through profit or loss £	Non financial assets/ liabilities £	Total £
Assets				
Derivatives	-	3,503,534	-	3,503,534
Loans and receivables	1,350,038	-	-	1,350,038
Trade and other receivables	-	-	4	4
	1,350,038	3,503,534	4	4,853,576
Liabilities				
Accruals and deferred income	-	-	(192,853)	(192,853)
Deferred tax liability	-	-	(760,242)	(760,242)
Tax Payable	-	-	(113,501)	(113,501)
	-	-	(1,066,596)	(1,066,596)
Equity				3,786,980

NOTES TO THE FINANCIAL STATEMENTS (continued)**16. Financial instruments and risk management (continued)****(ii) Fair value measurement of financial instruments designated as fair value through profit or loss**

The valuation technique applied in measuring the fair value of financial instruments designated as fair value through profit or loss is described in note 1d

The table below shows these financial instruments by hierarchy - level 1, level 2 and level3

Level 1 - quoted prices for similar instruments

Level 2 - directly observable market inputs other than Level 1 inputs

Level 3 - inputs not based on observable market data

	Level 1 £	Level 2 £	Level 3 £	Total £
2010 Derivative financial assets	-	-	3,645,458	3,645,458
2009 Derivative financial assets	-	-	3,503,534	3,503,534

(iii) Financial risk management

The principal risks associated with the company's businesses are as follows

Interest rate risk

Structural interest rate risk arises where assets and liabilities have different re-pricing maturities

The company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities, and limiting any re-pricing mismatches

The only financial assets or liabilities that are exposed to interest rate risk are the balances of loans and receivables

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared on the assumption that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year

If interest rates had been 0.5% higher and all other variables were held constant, the company's profit before tax for the year would have increased by £4,517 (2009: profit before tax for the year would have increased by £6,750). This is due to the company's exposure to interest rates on its variable rate lendings. There would be no other impact on equity.

Currency risk

The company has no currency risk as all transactions and balances are denominated in sterling

NOTES TO THE FINANCIAL STATEMENTS (continued)**16. Financial instruments and risk management (continued)****Credit risk**

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company

All loans and receivables are with group undertakings. Although credit risk arises this is not considered to be significant and no amounts owed are past due

Liquidity risk

The company has no liquidity risk as it has no financial liabilities

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with the RBS group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

17. Share capital

	2010 £	2009 £
Authorised		
25 Class A ordinary shares of £1	25	25
75 Class B ordinary shares of £1	75	75
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 Class A ordinary shares of £1	1	1
3 Class B ordinary shares of £1	3	3
	<u>4</u>	<u>4</u>

Dividends

To the extent that distributable reserves are available and dividends are paid, the holder of each A Share shall be entitled to be paid a dividend in respect of each A share which is three times the value of the dividend paid in respect of each B share.

Winding up

On a winding up or on a return of capital or otherwise, the assets of the Company available for distribution shall be applied so that there shall be paid to the holder of the A shares in respect of each A share an amount which is three times that paid to the holder of the B Shares in respect of each B share.

Voting rights

The holder of the A Shares shall be entitled to three votes per A share held and the holder of the B Shares shall be entitled to one vote per B Share held, whether on a show of hands or on a poll.

NOTES TO THE FINANCIAL STATEMENTS (continued)**18. Capital resources**

The company's capital consists of equity comprising issued share capital and retained earnings. The company is a member of The Royal Bank of Scotland group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the company is governed by the group's policy which is to maintain a strong capital base. It is not separately regulated. The group has complied with the FSA's capital requirements throughout the year.

19. Related parties

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly-owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the company.

The company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in Great Britain and registered in Scotland. Its immediate parent company is Lombard Asset Leasing Limited which is incorporated in Great Britain and registered in England and Wales.

As at 31 December 2010, The Royal Bank of Scotland Group plc heads the largest group in which the company is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the company is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

Related party transactions with UK Government bodies

Transactions between the company, the UK Government and UK Government controlled bodies consisted solely of corporation tax.

Related party transactions with other group undertakings

The table below details balances and transactions with group undertakings.

	At 1 January 2010 £	Net payments £	Net interest received £	At 31 December 2010 £
Other members of the group				
Fellow subsidiaries	1,350,038	(453,098)	6,384	903,324

Included within net payments above are gifts totalling £165,000 to fellow group undertakings. No shares were received, the gift does not attract dividends or other investment return and nor is there an obligation for repayment.