Company Number: 1569177

YORKSHIRE BANK COMMERCIAL LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2010

YORKSHIRE BANK COMMERCIAL LEASING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2010

Contents | **Page**

YORKSHIRE BANK COMMERCIAL LEASING LIMITED
Officers and Professional Advisers

Directors	Trevor Slater Stephen Murphy (appointed 11 February 2010)
Secretary	Lorna McMillan (appointed 24 January 2011)
Registered Office	20 Merrion Way Leeds, Yorkshire LS2 8NZ
Bankers	Clydesdale Bank PLC
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

YORKSHIRE BANK COMMERCIAL LEASING LIMITED
Report of the Directors

The Directors of Yorkshire Bank Commercial Leasing Limited (the "Company") submit their Report and Financial Statements for the year ended 31 December 2010

Activities

The Company historically provided leasing facilities to industry, commerce and private individuals

Profits and appropriations

The profit attributable to the shareholders for the year ended 31 December 2010 amounted to £235,756 (2009 £8,190) No dividend was paid during the year (2009 £Nil) The directors do not recommend the payment of a final dividend in respect of this financial year (2009 £Nil)

Principal risks and uncertainties

The key risks facing the Company are discussed in note 11

Going concern

The directors are satisfied that the Company has adequate resources to meet its obligations for the foreseeable future and confirm that the Company is a going concern For this reason they continue to adopt the going concern basis in preparing the Financial Statements

Business review

The Company continues to provide leasing services, however there has been no new business operations during the year Under the extension of a parent company initiated project that commenced during the financial year to 31 December 2007, the scale of the Company's operations has been significantly reduced

The directors do not rely on key performance indicators at the individual company level The business is managed by monitoring product related information in conjunction with that of other leasing entities within the UK Group which is not specific to individual companies

Directors and Directors' interests

In terms of the Articles of Association of the Company, no directors are required to retire by rotation

Directors' interests
The current Directors are shown on page 2 None of the Directors held shares in the Company or in any fellow subsidiary company during the year As the Company is a wholly owned subsidiary of NAB, which is incorporated in Australia, any interest which the Directors may have in NAB does not need to be notified to the Company and thus is not disclosed in this report

Appointments
Stephen Murphy was appointed as a Director of the Company on 11 February 2010

Resignations
Keith Carnegie resigned as a Director of the Company on 11 February 2010

Directors' liabilities
During the year the NAB Group paid a premium for a contract insuring the directors and officers of NAB, its subsidiaries and controlled entities against personal liabilities which may arise in the course of the performance of their duties, as well as protecting the NAB Group itself to the extent that it is obligated to indemnify directors and officers for such liability

Employee involvement

The Company does not have any employees All staff are provided by the immediate parent company, Clydesdale Bank PLC

Company secretary

Appointments
Lorna McMillan was appointed as Company Secretary on 24 January 2011

Resignations
Michael Webber resigned as Company Secretary on 24 January 2011

Charitable and political donations

No charitable or political donations were made throughout the year (2009 £Nil)

Elective regime

In accordance with the provisions of the Companies Act 2006, as amended, the Company has elected to dispense with the laying of financial statements before a general meeting, the holding of annual general meetings and the obligation to appoint Auditors annually

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board during the financial year are listed on page 2 Having made enquiries of fellow Directors and of the company's auditors, each of these Directors confirms that

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and

- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the Directors

Stephen Murphy
Director

19 August 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors 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 International Financial Reporting Standards (IFRSs) and applicable law 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 of the Company and of the profit or loss of the Company for that period In preparing these Financial Statements the Directors are required to

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* 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 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial position and financial performance, and

- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the Financial Statements

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 enable them to ensure that the Financial Statements comply with 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

ERNST & YOUNG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE BANK COMMERCIAL LEASING LIMITED

We have audited the financial statements of Yorkshire Bank Commercial Leasing Limited for the year ended 31 December 2010 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows and the related notes 1 to 13 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 set out on page 5, 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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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

ERNST & YOUNG

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

Javier Faiz (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 August 2011

YORKSHIRE BANK COMMERCIAL LEASING LIMITED
Income Statement for the year ended 31 December 2010

	Note	2010 £	2009 £
Finance lease income		**5,353**	7,010
Interest income	10	**40,583**	51,450
Other income	4	**-**	18,883
		45,936	77,343
Interest expenses	10	**(32,910)**	(39,968)
Other expenses	3	**(26,061)**	(26,000)
		(58,971)	(65,968)
(Loss)/profit before tax		**(13,035)**	11,375
Tax credit / (expense)	5	**248,791**	(3,185)
Profit for the year		**235,756**	8,190

The Company has no recognised gains or losses other than those disclosed above and tax on equity as disclosed in note 5

All items dealt with in arriving at the profit before tax for 2010 and 2009 relate to discontinuing operations

YORKSHIRE BANK COMMERCIAL LEASING LIMITED
Balance Sheet at 31 December 2010

	Note	2010 £	2009 £
Non current assets			
Deferred tax assets	7	**5,943**	7,396
Current assets			
Due from related entities	10	**8,093,288**	8,093,205
Total assets		**8,099,231**	8,100,601
Current liabilities			
Due to related entities	10	**20,413**	26,911
Trade and other payables	6	**217,097**	472,552
		237,510	499,463
Non current liabilities			
Due to related entities	10	**6,577,448**	6,552,621
Total liabilities		**6,814,958**	7,052,084
Net assets		**1,284,273**	1,048,517
Equity			
Share capital	8	**100**	100
Retained earnings		**1,284,173**	1,048,417
Total equity		**1,284,273**	1,048,517

The Financial Statements were approved by the Directors on 19 August 2011 and were signed on their behalf by

Stephen Murphy
Director

YORKSHIRE BANK COMMERCIAL LEASING LIMITED
Statement of Cash Flows for the year ended 31 December 2010

	Note	2010 £	2009 £
Cash flows from operating activities			
(Loss)/profit before tax		**(13,035)**	11,375
Adjustments for non-cash movements			
Interest income		**(7,673)**	(11,482)
Cash flows from operating activities before changes in operating assets and liabilities		**(20,708)**	(107)
Changes in operating assets and liabilities			
Net decrease in			
Trade and other receivables		**-**	112
Net (decrease)/increase in			
Trade and other payables		**(186)**	6,361
Net cash provided by/(used in) operating activities before income tax		**(20,894)**	6,366
Tax (paid)/received		**(5,025)**	681
Net cash (used in)/provided by operating activities		**(25,919)**	7,047
Cash flows from financing activities			
Interest received		**7,673**	11,482
Net increase in amounts due to related entities		**18,329**	263,336
Net cash provided by financing activities		**26,002**	274,818
Net increase in cash and cash equivalents		**83**	281,865
Cash and cash equivalents at beginning of year		**8,093,205**	7,811,340
Cash and cash equivalents at end of year	10	**8,093,288**	8,093,205

1 Authorisation of financial statements and statement of compliance with IFRS

The Financial Statements of Yorkshire Bank Commercial Leasing Limited (the "Company") for the year ended 31 December 2010 were approved by the Directors on 19 August 2011 and the balance sheet was signed on their behalf by Stephen Murphy

The Company is incorporated in the UK and registered in England & Wales

The ultimate parent undertaking and ultimate controlling party is National Australia Bank ("NAB"), a company incorporated in the State of Victoria, Australia This company also heads the largest group in which the results of the Company are consolidated The smallest group in which the results of the Company are consolidated is that headed by Clydesdale Bank PLC, which is incorporated and registered in Scotland

Copies of the Clydesdale Bank PLC Group Financial Statements may be obtained from the Corporate Affairs Department, Clydesdale Bank PLC, 20 Waterloo Street, Glasgow, G2 6DB

Statement of compliance

The Financial Statements of the Company have been presented in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the Companies Act 2006 The principal accounting policies adopted by the Company are set out in note 2

2 Accounting policies

Basis of preparation

The Financial Statements were approved by the Directors on 19 August 2011 and were signed on their behalf by
The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities Assumptions made at each balance sheet date are based on best estimates at that date Although the Company has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates It is not anticipated that such differences would be material

The Financial Statements have been presented on a going concern basis, under the historical cost convention, as modified by the application of fair value measurements as required by the relevant accounting standards

Significant accounting judgements and estimates

In the process of applying the Company's accounting policies, management has exercised judgements and estimates in determining the amounts recognised in the Financial Statements The most significant use of judgement and estimates are as follows

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review In addition note 12 to the Financial Statements includes the Company's objectives, policies and processes for managing its capital and note 11 to the Financial Statements includes the Company's financial risk management objectives

The Company has access to financial resources and the support of its ultimate parent NAB As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Currency of presentation

All amounts are expressed in Pounds Sterling and all references to £ are to Pounds Sterling unless otherwise stated

2 Accounting policies (continued)

Impairment of financial assets

The Company assesses at each balance sheet date whether there is evidence that a financial asset or a portfolio of financial assets is impaired A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event'), and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated

Revenue recognition

Finance leases
Finance lease income is recognised over the term of the lease using the net investment method (before tax) reflecting a constant periodic rate of return

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax

Income tax expense (or revenue) is the tax payable (or receivable) on the current period's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and liabilities Income tax expense is recognised in the income statement except to the extent that it related to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial Statements Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled A deferred tax asset or liability is not recognised if it arises from initial recognition of an asset or liability (in a transaction other than a business combination) that at the time of the transaction affects neither accounting profit nor taxable profit or loss

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses

Deferred tax liabilities are not recognised for temporary differences arising from investments in subsidiaries and associates where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the difference will not reverse in the foreseeable future Deferred tax assets are not recognised for temporary differences arising from investments in subsidiaries and associates where it is probable that the difference will not reverse in the foreseeable future, and it is not probable that taxable profit will be available against which the temporary difference can be utilised

The effects of income taxes arising from asset revaluation adjustments are recognised directly in the asset revaluation reserve where relevant

Deferred tax assets and liabilities related to fair value re-measurement of cash flow hedges, which are charged or credited directly to equity, are also credited or charged directly to equity The tax associated with these transactions will be recognised in the income statement at the same time as the underlying transaction

2 Accounting policies (continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and liquid assets, amounts due from other banks (to the extent less than 90 days) and short-term government securities (which has the same characteristics as cash)

Cash and cash equivalents are brought to account at the face value or the gross value of the outstanding balance where appropriate

Accounting developments

The Company has adopted the following standards, interpretations and amendments which have been endorsed by the European Union None of the following standards, interpretations and amendments had a material impact on the Company's Financial Statements

(i) Applied in the current reporting period

- Improvements to IFRSs 2008, issued 22 May 2008, makes numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvement project

- Improvements to IFRSs 2009, issued 16 April 2009, makes numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvement project

- Amendment to IFRS 1 and IAS 27 Cost of an Investment in a Controlled Subsidiary, Jointly-Controlled Entity or Associate, issued 22 May 2008, has been adopted but does not apply to the Company

- Revision to IFRS 1 First-time Adoption of International Financial Reporting Standards, issued 27 November 2009, has been adopted but does not apply to the Company

- Amendment to IFRS 2 Share-based Payments - Vesting Conditions and Cancellations, issued 17 January 2008, clarifies that vesting conditions comprise service conditions and performance conditions only and other features of a share-based payment transaction are not vesting conditions It also clarifies that all cancellations should receive the same accounting treatment

- Revised IFRS 3 Business Combinations, issued 10 January 2008, and effective for financial reporting period beginning on or after 1 July 2009

- Amendment to IFRS 7 Financial Instruments Disclosures, issued 5 March 2009, requires additional disclosures regarding fair value measurement and liquidity risk Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements The amendments also clarify the requirement for liquidity risk disclosures The liquidity risk disclosures are not significantly impacted by the amendments

- IFRS 8 Operating Segments, issued 30 November 2006, requires disclosure of information about operating segments This Standard was adopted however it does not apply to the Company

- Revised IAS 1 Presentation of Financial Statements, issued 6 September 2007, separates owner and non-owner changes in equity The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line In addition, the standard introduces the statement of comprehensive income it presents all items of recognised income and expense, either in one single statement, or in two linked statements The Company has elected to present one statement

2 Accounting policies (continued)

Accounting developments (continued)

- The presentation of the Financial Statements reflects the disclosure required by IAS 1 Where necessary, comparative information has been reclassified or expanded from the previously reported Financial Statements to take into account any presentational changes

- Revised IAS 23 Borrowing Costs, issued 29 March 2007, permits capitalisation of borrowing costs that are directly attibutable to the acquisition, construction or production of a qualifying asset

- Amendment to IAS 27, issued 10 January 2008, is applicable for the acquisition of non-controlling interests for financial periods beginning on or after 1 July 2009

- Amendment to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation, issued 14 February 2008, introduces an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments that impose an obligation to deliver a pro-rata share of net assets to holders only upon liquidation

- Amendment to IAS 39 Eligible Hedged Items, issued 31 July 2008, clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations

- Amendment to IFRIC 9 and IAS 39 Embedded Derivatives, issued 12 March 2009, clarifies the accounting treatment of embedded derivatives for entities that make use of the financial instruments reclassification amendment issued 13 October 2008

- IFRIC 15 Agreements for the Construction of Real Estate, issued 3 July 2008, provides guidance on recognising revenue from an agreement for the construction of real estate

- IFRIC 17 Distributions of Non-Cash Assets to Owners, issued 27 November 2008, clarifies that a non-cash dividend payable to owners should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity The Company should measure the dividend payable at the fair value of the net assets to be distributed An entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in the income statement

- IFRIC 18 Transfer of Assets from Customers, issued 29 January 2009, clarifies the accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services

(ii) Early adopted and applied in the current reporting period

The Company has not early adopted any standard, interpretation or amendment

(iii) To be applied in a future reporting period

The following standards, interpretations and amendments were available for adoption in the European Union, but not mandatory, for the current reporting period Those amendments which are applicable to the Company and which are not likely to have an impact on the Company's Financial Statements and have not yet been applied by the Company in preparing this financial report are as follows

- Improvements to IFRSs 2009, issued 16 April 2009, makes numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvement project Certain amendments are effective for financial periods beginning on or after 1 January 2010

- Improvements to IFRSs 2010, issued 6 May 2010, makes numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvement project Certain amendments are effective for financial periods beginning on or after 1 July 2010 and 1 January 2011

2 Accounting policies (continued)

Accounting developments (continued)

- Amendments to IFRS 1 Additional Exemptions for First-time Adopters, issued 23 July 2009, is effective for financial periods beginning on or after 1 January 2010

- Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, issued 28 January 2010, is effective for financial periods beginning on or after 1 July 2010

- Amendment to IFRS 2 - Group Cash-settled Share-based Payment Transactions, issued 18 June 2009, is effective for financial periods beginning on or after 1 January 2010

- Revised IAS 24 Related Party Disclosures, issued 4 November 2009, is effective for financial periods beginning on or after 1 January 2011

- Amendment to IAS 32 Classification of Rights Issue, issued 8 October 2009, is effective for financial periods beginning on or after 1 February 2010

- Amendment to IFRIC 14 Prepayment of a Minimum Funding Requirement, issued 26 November 2009, is effective for financial periods beginning on or after 1 January 2011

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, issued 26 November 2009, is effective for financial periods beginning on or after 1 July 2010

The following standards, interpretations and amendments were not available for adoption in the European Union as at the reporting date Those amendments which are applicable to the Company and, which are not likely to have an impact on the Company's Financial Statements, and have not yet been applied or early adopted by the Company in preparing this financial report are

- Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, issued 20 December 2010, is effective for financial periods beginning on or after 1 July 2011

- Amendment to IFRS 7 Financial Instruments Disclosures, issued 7 October 2010, is effective for financial periods beginning on or after 1 July 2011

- IFRS 9 Financial Instruments, issued 12 November 2009, is effective for financial periods beginning on or after 1 January 2015 The Company has not yet assessed the potential impact or the standard

- Amendments to IAS12 Deferred Tax Recovery of Underlying Assets, issued 20 December 2010, is effective for financial periods beginning on or after 1 January 2012

3 Other expenses

	2010 £	2009 £
Management fees (note 10)	**26,000**	26,000
Sundry expenses	**61**	-
	26,061	26,000

The company's audit fees are borne by its parent company, Clydesdale Bank PLC The parent company paid £8,000 (2009 £8,000) of audit fees on behalf of the company

4 Other income

	2010 £	2009 £
Interest on tax refund	**-**	18,883

5 Income tax (credit)/expense

	2010 £	2009 £
a) Analysis of (credit)/charge in the period		
Current tax		
Corporation tax payable at 28% (2009 28%)		
- Current year	**(3,650)**	3,185
- Prior year	**(245,361)**	-
Deferred tax		
Origination and reversal of temporary timing differences		
- Current year (note 7)	**220**	-
Income tax (credit)/expense reported in income statement	**(248,791)**	3,185
Tax relating to items charged or credited to equity		
Current tax		
Release of transitional deferred tax	**1,233**	1,233
Deferred tax		
Release of transitional deferred tax (note 7)	**(1,233)**	(1,233)
Tax on items recognised directly in equity	**-**	-

b) Factors affecting tax (credit)/charge for the period

	2010 £	2009 £
(Loss)/profit before tax	**(13,035)**	11,375
(Loss)/profit multiplied by standard rate of corporation tax in UK of 28% (2009 28%)	**(3,650)**	3,185
Effects of		
- Restatement of deferred tax balances to 27%	**220**	-
- Adjustments to tax in respect of previous periods	**(245,361)**	-
	(248,791)	3,185

6 Trade and other payables

	2010 £	2009 £
Income tax payable	217,097	472,366
VAT payable	-	186
	217,097	472,552

7 Deferred tax

	2010 £	2009 £
Deferred tax asset		
Opening balance	7,396	8,629
Tax expense recognised in income statement (note 5)	(220)	-
Deferred tax recognised in equity (note 5)	(1,233)	(1,233)
Closing balance	5,943	7,396

The deferred tax asset is attributable to the following items

	2010	2009
Impairment losses on finance leases	5,943	7,396

Legislation was introduced in Finance (No 2) Act 2010, published on 29 July 2010, to reduce the main rate of UK corporation tax from 28% to 27% with effect from 1 April 2011 As this change in rate had been substantively enacted through parliament at the balance sheet date its effect is reflected in the deferred tax assets recorded on the balance sheet On 23 March 2011, the UK government announced that the corporation tax rate would fall by an additional 1% to 26% as of 1 April 2011 This additional change in rate has not been reflected in the value of the deferred tax assets recorded on the balance sheet as the legislation introducing this rate had not been substantively enacted at the balance sheet date

The UK government has also announced its intention to legislate to reduce the rate further by 1% per annum falling to 23% with effect from 1 April 2014 The maximum effect on deferred tax of the reduction in the UK corporation tax rate to 23% is expected to be £880 (equivalent to 4% of the closing gross deferred tax balance)

8 Share capital

	Number	£
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each		
At 31 December 2010 and 2009	100	100

9 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprises the following balances due within three months at inception

	2010 £	2009 £
Cash at bank (note 10)	8,093,288	8,093,205

10 Related party transactions

The company receives a range of services from the ultimate parent and related parties, including loans and various administrative services

	2010 £	2009 £
Amounts due from related entities		
Current assets		
Cash at bank held with controlled entities of Clydesdale Bank PLC (note 9)	**8,093,288**	8,093,205
Amounts due to related entities		
Current liabilities		
Loans due to controlled entities of Clydesdale Bank PLC	**20,413**	20,411
Other amounts due to controlled entities of Clydesdale Bank PLC	**-**	6,500
	20,413	26,911
Non current liabilities		
Loans due to controlled entities of Clydesdale Bank PLC	**6,577,448**	6,552,621

Transactions during the year with related parties

	2010 £	2009 £
Finance costs	**32,910**	39,968
Interest income	**(40,583)**	(51,450)
Management fees (note 3)	**26,000**	26,000
	18,327	14,518

Transactions with Directors, key management and their close family members

There were no amounts outstanding at 31 December 2010 (2009 £Nil) for transactions, arrangements and agreements between the company and its Directors, key management and their close family members that arose during the year

Compensation of key management personnel

All compensation received by key management personnel relates to their duties on behalf of other Clydesdale Bank PLC Group companies Thus no disclosure is presented in these Financial Statements

Directors' emoluments

The Directors are employed as executives of other Clydesdale Bank PLC Group companies The aggregate emoluments of the Directors of the Company as computed in accordance with Part I of Schedule 6 of the Companies Act 2006 were £Nil (2009 £Nil)

11 Management of risk

Effective management of risk is a key capability for a successful financial services provider, and is fundamental to the Company's strategy as well as that of its parent, Clydesdale Bank PLC ("CB"), and the ultimate parent entity National Australia Bank Limited ("NAB")

The Company manages risk within an established 'three lines of defence' framework consistent throughout the NAB Group Control is exercised through clearly defined delegation of authority, with clear and rapid communication and escalation channels throughout the organisation The first line of defence comprises the business units managing the risks associated with their activities The second line encompasses dedicated risk functions who are accountable for independent monitoring and oversight The third line of defence relates to Internal Audit independently reviewing, monitoring, and testing business unit compliance with risk policies and procedures, and regularly assessing the overall effectiveness of the risk management framework

These company level defences are overlaid by a broader UK group risk management framework and procedure This framework includes a CB Board Risk Committee and a UK Regional Risk Management Committee

The CB Board Risk Committee focuses on key elements of risk, including compliance risk, operational risk, market risk, credit risk and balance sheet management

The UK Regional Risk Management Committee independently monitors and systematically assesses the risk profile within the region against established risk appetite parameters They also assist the 'front-line' businesses in the design and implementation of appropriate risk management policies/strategies, and work with the businesses to promote awareness of the need to manage risk Together with the NAB Group Risk Management function, efforts continue to evolve the organisational culture and staff behaviours

Operational risk and compliance
Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events This includes risk relating to the management of ongoing activities, as well as to organisational changes such as project and change initiatives

The Operational Risk Framework ("ORF") is based on a set of core principles and defines the NAB Group's standards for operational risk management and compliance Its design recognises the importance of embedding operational risk and compliance into 'business-as-usual' activities It has particular focus on defining and implementing the right behaviours and incorporating risk considerations into the Company's systems and processes

The ORF is an essential element of the business strategy, which underpins all operational risk management activities It includes

- an established governance structure that is used to ensure consistent application, management and reporting of the operational risk management process This element also includes the establishment and communication of the Company's operational risk appetite,
- a structured risk management process to facilitate the identification, quantification and management of risks

The Company is committed to sound operational risk management and compliance within this framework

11 Management of risk (continued)

Credit risk
Credit risk is the potential that a borrower or a counterparty will fail to meet its obligations in accordance with agreed terms The NAB Group's credit risk management infrastructure is framed to provide sound management principles and practices for the maintenance of appropriate asset quality across the NAB Group These principles and practices are followed by the Company Group Portfolio Management & Policy, a division of NAB Group Risk Management, is responsible for the development and maintenance of credit policies and key credit risk systems that form the basis of the Company's credit risk management

The Company achieves its credit risk management objectives through both the traditional focuses on approval and monitoring of individual transactions and asset quality, analysis of the performance of the various credit risk portfolios and the independent oversight of credit portfolios, all of which are within the established group credit risk policy and management framework Portfolio monitoring techniques cover such areas as industry or geographic concentrations and delinquency trends

Balance sheet market risk
Balance sheet market risk for the Company includes liquidity risk and structural interest rate risk

The primary objective for the management and oversight of balance sheet market risk is to maintain the risk profile within approved risk appetite and limits, while implementing strategies that optimise stable current and future earnings from the impact of market volatility

Policies, inclusive of risk appetite and limits, are approved by the NAB Board, with Group authority delegated to the NAB Group Asset and Liability Management Committee (Group ALCO) and CB Asset and Liability Management Committees (CB ALCOs) for their subsequent implementation and monitoring UK Treasury manages balance sheet risk and Non-Traded Market Risk provides a risk oversight While their responsibilities extend to the entire UK Group, the Company's activities fall within their remit

Liquidity risk
Liquidity risk is the risk that the Company is unable to meet its current and future financial obligations as they fall due at acceptable cost

CB provides the Company with its funding requirements through a variable rate overdraft facility This funding requirement is monitored by both UK Treasury and Company management and, when required, additional funding is provided to meet the Company's lending volumes and financial obligations

Structural interest rate risk
Structural interest rate risk comprises the sensitivity of the Company's current and future net interest income to movements in market interest rates The Company's major contributor to interest rate risk is the inability of the pricing basis' of finance lease asset products to be replicated in the financial markets

Interest rate risk is principally managed at the CB Group level

12 Capital Management

The Company is governed by NAB Group's capital management policy The objectives of the NAB Group's capital management policy are to efficiently manage the capital base to optimise shareholder returns whilst maintaining capital adequacy and satisfying key stakeholders such as regulators and ratings agencies

The Company is not subject to externally imposed capital requirements, however its capital is managed as part of the National Australia Group Europe Limited (NAGE) Group

The NAGE Group's prime objectives in relation to the management of capital are to comply with the requirements set out by the Financial Services Authority (FSA), the NAGE Group's primary prudential supervisor, to provide a sufficient capital base to cover business risks, maintain a targeted credit rating and to support future business development

The NAGE Group implemented Basel II requirements from 1 January 2008 in measuring operational and credit risks under the standardised approach and is progressively moving towards advanced approaches Under Pillar I of Basel II, the NAGE Group calculates its minimum capital requirements based on 8% of risk weighted assets (RWAs) The FSA then applies a multiplier to this amount to cover risks under Pillar II of Basel II and generate a Final Individual Capital Guidance (ICG)

The ultimate responsibility for capital adequacy rests with the Board of Directors The NAGE Group's Asset and Liabilities Committee (ALCO), which consists of an Executive Director, Chief Financial Officer and other senior executives, is responsible for the management of the capital process including approving policy, overseeing internal controls and setting internal limits over capital ratios

The NAGE Group actively manages its capital position and reports this on a regular basis to senior management via ALCO and other governance committees Capital requirements are included within an annual capital management plan with initiatives being executed against this plan

13 Events since the balance sheet date

No other information has been identified since the balance sheet date about conditions existing at the balance sheet date which are required to be disclosed in these Financial Statements