

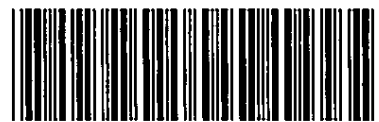
Company Number 1569177

**YORKSHIRE BANK COMMERCIAL LEASING LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

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# **YORKSHIRE BANK COMMERCIAL LEASING LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

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**YORKSHIRE BANK COMMERCIAL LEASING LIMITED**  
**Officers and Professional Advisers**

<b>Directors</b>	Trevor Slater Stephen Murphy
<b>Secretary</b>	Lorna McMillan (appointed 24 January 2011)
<b>Registered Office</b>	20 Merrion Way Leeds, Yorkshire LS2 8NZ
<b>Bankers</b>	Clydesdale Bank PLC
<b>Auditors</b>	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 2011

#### **Activities**

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

#### **Profits and appropriations**

The loss attributable to the shareholders for the year ended 31 December 2011 amounted to £6,452 (2010 profit £235,756) No dividend was paid during the year (2010 £Nil) The Directors do not recommend the payment of a final dividend in respect of this financial year (2010 £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 National Australia Bank Limited ("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

##### 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

##### Directors' remuneration

The Directors of the Company are remunerated as employees of the Clydesdale Bank PLC ("CB PLC"), and do not receive incremental remuneration in respect of their duties as Directors of the Company As there has been no substantial new activity in the year requiring executive input, the Directors believe it would be inappropriate to apportion part of their remuneration as being in respect of their duties to the company

## **YORKSHIRE BANK COMMERCIAL LEASING LIMITED**

### **Report of the Directors (continued)**

#### **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 (2010: £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



Trevor Slater  
Director

6 September 2012

## **YORKSHIRE BANK COMMERCIAL LEASING LIMITED**

### **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

## **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 2011 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, 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 2011 and of its loss 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.

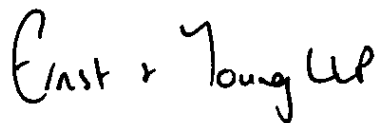
### **Opinion on other matter prescribed by the Companies Act 2006**

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.

### **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

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP'.

*Javier Faiz (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
7 September 2012*



**YORKSHIRE BANK COMMERCIAL LEASING LIMITED**  
**Income Statement for the year ended 31 December 2011**

	Note	2011 £	2010 £
Finance lease income		4,772	5,353
Interest income	10	<u>39,468</u>	<u>40,583</u>
		<b>44,240</b>	<b>45,936</b>
Interest expense	10	(32,920)	(32,910)
Other expenses	3	<u>(19,589)</u>	<u>(26,061)</u>
		<b>(52,509)</b>	<b>(58,971)</b>
<b>Loss before tax</b>		<b>(8,269)</b>	<b>(13,035)</b>
Tax credit	4	<u>1,817</u>	<u>248,791</u>
<b>(Loss)/profit for the year</b>		<b><u>(6,452)</u></b>	<b><u>235,756</u></b>

The Company has no recognised gains or losses other than those disclosed above

All items dealt with in arriving at the (loss)/profit before tax for 2011 and 2010 relate to discontinued operations

**YORKSHIRE BANK COMMERCIAL LEASING LIMITED**  
**Balance Sheet at 31 December 2011**

	Note	2011 £	2010 £
<b>Non current assets</b>			
Deferred tax assets	7	4,402	5,943
<b>Current assets</b>			
Trade and other receivables	5	3,236	-
Due from related entities	10	7,861,018	8,093,288
		<u>7,864,254</u>	<u>8,093,288</u>
<b>Total assets</b>		<u>7,868,656</u>	<u>8,099,231</u>
<b>Current liabilities</b>			
Due to related entities	10	427	20,413
Trade and other payables	6	8	217,097
		<u>435</u>	<u>237,510</u>
<b>Non current liabilities</b>			
Due to related entities	10	6,590,400	6,577,448
<b>Total liabilities</b>		<u>6,590,835</u>	<u>6,814,958</u>
<b>Net assets</b>		<u>1,277,821</u>	<u>1,284,273</u>
<b>Equity</b>			
Share capital	8	100	100
Retained earnings		1,277,721	1,284,173
<b>Total equity</b>		<u>1,277,821</u>	<u>1,284,273</u>

The Financial Statements were approved by the Directors on 6 September 2012 and were signed on their behalf by



Trevor Slater  
**Director**

**YORKSHIRE BANK COMMERCIAL LEASING LIMITED****Statement of Changes in Shareholder's Equity for the year ended 31 December 2011**

	<b>Share Capital</b> £	<b>Retained Earnings</b> £	<b>Total</b> £
Balance at 1 January 2010	100	1,048,417	1,048,517
Profit for the year ended 31 December 2010	-	235,756	235,756
Balance at 31 December 2010	100	1,284,173	1,284,273
Loss for the year ended 31 December 2011	-	(6,452)	(6,452)
<b>Balance at 31 December 2011</b>	<b>100</b>	<b>1,277,721</b>	<b>1,277,821</b>

**YORKSHIRE BANK COMMERCIAL LEASING LIMITED**  
**Statement of Cash Flows for the year ended 31 December 2011**

	Note	2011 £	2010 £
<b>Cash flows from operating activities</b>			
Loss before tax		(8,269)	(13,035)
<i>Adjustments for non-cash movements</i>			
Interest income		(6,548)	(7,673)
<b>Cash flows used in operating activities before changes in operating assets and liabilities</b>		(14,817)	(20,708)
<b>Changes in operating assets and liabilities</b>			
<i>Net increase/(decrease) in</i>			
Trade and other payables		8	(186)
<i>Net cash (used in) operating activities before income tax</i>		(14,809)	(20,894)
Tax paid		(216,975)	(5,025)
<b>Net cash (used in) operating activities</b>		(231,784)	(25,919)
<b>Cash flows from financing activities</b>			
Interest received		6,548	7,673
Net (decrease)/increase in amounts due to related entities		(7,034)	18,329
<b>Net cash (used in)/provided by financing activities</b>		(486)	26,002
<b>Net (decrease)/increase in cash and cash equivalents</b>		(232,270)	83
Cash and cash equivalents at beginning of year		8,093,288	8,093,205
<b>Cash and cash equivalents at end of year</b>	9	<u>7,861,018</u>	<u>8,093,288</u>

# **YORKSHIRE BANK COMMERCIAL LEASING LIMITED**

## **Notes to the Financial Statements**

### **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 2011 were approved by the Directors on 6 September 2012 and the balance sheet was signed on their behalf by Trevor Slater

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

The ultimate parent undertaking and ultimate controlling party is 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 CB 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 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.

## **YORKSHIRE BANK COMMERCIAL LEASING LIMITED**

### **Notes to the Financial Statements (continued)**

#### **2 Accounting policies (continued)**

##### **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 is recognised in the income statement except to the extent that it is related to items recognised in equity, in which case the tax is also recognised in equity.

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.

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 substantively 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.

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.

##### **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.

## **YORKSHIRE BANK COMMERCIAL LEASING LIMITED**

### **Notes to the Financial Statements (continued)**

#### **2 Accounting policies (continued)**

##### **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 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
- Revision to IAS 24 Related Party Disclosures, issued 4 November 2009 and effective for financial periods beginning on or after 1 January 2011
- 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 January 2011

##### **(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**

There are no standards, interpretations and amendments available for adoption in the European Union, but not mandatory, for the current reporting period

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

**YORKSHIRE BANK COMMERCIAL LEASING LIMITED**  
**Notes to the Financial Statements (continued)**

<b>3 Other expenses</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Management fees (note 10)	<b>19,500</b>	26,000
Sundry expenses	<b>89</b>	61
	<b><u>19,589</u></b>	<b><u>26,061</u></b>

The company's audit fees are borne by its parent company, Clydesdale Bank PLC. The parent company paid £8,000 (2010: £8,000) of audit fees on behalf of the company.

<b>4 Income tax (credit)/expense</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>

**a) Analysis of (credit) in the period**

**Current tax**

Corporation tax payable at 26.5% (2010: 28%)

- Current year	<b>(2,191)</b>	(3,650)
- Prior year	-	(245,361)

**Deferred tax**

Origination and reversal of temporary timing differences

- Current year (note 7)	<b>374</b>	220
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**Income tax (credit) reported in income statement**

<b><u>(1,817)</u></b>	<b><u>(248,791)</u></b>
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**Tax relating to items charged or credited to equity**

**Current tax**

Release of transitional deferred tax

<b>(1,167)</b>	1,233
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**Deferred tax**

Release of transitional deferred tax (note 7)

<b>1,167</b>	(1,233)
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**Tax on items recognised directly in equity**

<b><u>-</u></b>	<b><u>-</u></b>
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**b) Factors affecting tax (credit) for the period**

Loss before tax	<b><u>(8,269)</u></b>	<b><u>(13,035)</u></b>
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Loss multiplied by standard rate of corporation tax in UK of 26.5% (2010: 28%)	<b><u>(2,191)</u></b>	<b><u>(3,650)</u></b>
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**Effects of**

- Restatement of deferred tax balances to 26.5%	<b>374</b>	220
- Adjustments to tax in respect of previous periods	-	(245,361)
	<b><u>(1,817)</u></b>	<b><u>(248,791)</u></b>



**YORKSHIRE BANK COMMERCIAL LEASING LIMITED**  
**Notes to the Financial Statements (continued)**

**5 Trade and other receivables**

	2011 £	2010 £
Income tax receivables	<u>3,236</u>	<u>-</u>

**6 Trade and other payables**

	2011 £	2010 £
Income tax payable	-	217,097
VAT payable	<u>8</u>	<u>-</u>
	<u>8</u>	<u>217,097</u>

**7 Deferred tax**

	2011 £	2010 £
<b>Deferred tax asset</b>		
Opening balance	5,943	7,396
Tax expense recognised in income statement (note 4)	(374)	(220)
Deferred tax recognised in equity (note 4)	<u>(1,167)</u>	<u>(1,233)</u>
Closing balance	<u>4,402</u>	<u>5,943</u>

The deferred tax asset is attributable to the following items

Impairment losses on finance leases	<u>4,402</u>	<u>5,943</u>
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On 21 March 2012 the Chancellor announced a change to the UK rate of corporation tax which was substantively enacted on 26 March 2012. The announced corporation tax rate of 24% was effective from 1 April 2012, accordingly 24% has been used to calculate the deferred tax asset held by the company. Further reductions of 1% per annum are anticipated until the rate reaches 22% in 2014. The additional changes will be enacted separately each year.

The maximum effect on deferred tax of the reduction in the UK corporation tax rate to 22% is expected to be (£528) (equivalent to 3% of the closing gross deferred tax balance).

**8 Share capital**

	Number	£
<b>Authorised, allotted, called up and fully paid</b>		
Ordinary shares of £1 each		
At 31 December 2011 and 2010	<u>100</u>	<u>100</u>

**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

	2011 £	2010 £
Cash at bank (note 10)	<u>7,861,018</u>	<u>8,093,288</u>

**YORKSHIRE BANK COMMERCIAL LEASING LIMITED**  
**Notes to the Financial Statements (continued)**

**10 Related party transactions**

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

	2011 £	2010 £
<b>Amounts due from related entities</b>		
<b>Current assets</b>		
Cash at bank held with controlled entities of Clydesdale Bank PLC (note 9)	<u>7,861,018</u>	<u>8,093,288</u>
<b>Amounts due to related entities</b>		
<b>Current liabilities</b>		
Loans due to controlled entities of Clydesdale Bank PLC	<u>427</u>	<u>20,413</u>
<b>Non current liabilities</b>		
Loans due to controlled entities of Clydesdale Bank PLC	<u>6,590,400</u>	<u>6,577,448</u>
<b>Transactions during the year with related parties</b>		
Interest income	(39,468)	(40,583)
Finance costs	32,920	32,910
Management fees (note 3)	<u>19,500</u>	<u>26,000</u>
	<u>12,952</u>	<u>18,327</u>

***Transactions with Directors, key management and their close family members***

There were no amounts outstanding at 31 December 2011 (2010 £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 (2010 £Nil)

## **YORKSHIRE BANK COMMERCIAL LEASING LIMITED**

### **Notes to the Financial Statements (continued)**

#### **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, CB PLC and that of its ultimate parent entity 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 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 European Boards' Risk Committee ("EBRC") and a UK Risk Committee ("UKRC").

The EBRC focuses on all elements of risk, including compliance risk, operational risk, material risk, credit risk and balance sheet management.

The UKRC 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.

# YORKSHIRE BANK COMMERCIAL LEASING LIMITED

## Notes to the Financial Statements (continued)

### 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 Committee (Group ALCO) and The UK Asset and Liability Committee (UK ALCO) 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 PLC 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 financial obligations.

#### **Cash flows maturity profile for liabilities as they fall due**

2011	Call £	3 months or less £	3 to 12 months £	No specific maturity £	Total £
<b>Liabilities</b>					
Due to related entities	-	-	-	6,590,827	6,590,827
Trade and other payables	-	8	-	-	8
	-	8	-	6,590,827	6,590,835
2010	Call £	3 months or less £	3 to 12 months £	No specific maturity £	Total £
<b>Liabilities</b>					
Due to related entities	-	-	-	6,597,861	6,597,861
Trade and other payable	-	217,097	-	-	217,097
	-	217,097	-	6,597,861	6,814,958

## **YORKSHIRE BANK COMMERCIAL LEASING LIMITED**

### **Notes to the Financial Statements (continued)**

#### **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. This is managed and maintained at a group level and not at a company level.

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.

#### **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.