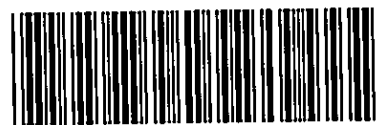


Registered Number 2537970

**Nationwide Syndications Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 March 2012**

TUESDAY



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**NATIONWIDE SYNDICATIONS LIMITED****Annual report and financial statements for the year ended 31 March 2012**

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## **NATIONWIDE SYNDICATIONS LIMITED**

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### **Directors and auditors**

#### **Directors**

B Glover

M Webster

M Willis (resigned 27 July 2012)

M Rennison

#### **Company secretary**

J Paul (resigned 1 April 2011)

J Lindsey (appointed 1 April 2011)

#### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

#### **Registered office**

Nationwide House

Pipers Way

Swindon

Wiltshire

SN38 1NW

#### **Registered number**

2537970

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Directors' report for the year ended 31 March 2012**

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The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 March 2012

As set out in the statement of accounting policies, the annual report and financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

All financial information given in this directors' report is taken solely from the statutory results prepared on this basis

#### **Principal activities**

Nationwide Syndications Limited (the Company) is a wholly owned subsidiary of Nationwide Building Society (the Group)

The Company operates as a mortgage lender specialising in syndicated commercial loans to registered housing associations

#### **Business review and future developments**

The Company's loans are to registered housing associations which are longer term than other types of lending. Since the income and expense of the Company is driven by the loan balances and these have decreased during the year, turnover, profit before tax, and funding costs have all reduced year on year. There have not been any changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

#### **Results and dividends**

The profit after tax for the year amounted to £4.4 million (2011: £3.3 million). The retained earnings carried forward are £102.2 million (2011: £97.8 million). The directors do not recommend the payment of a dividend (2011: £nil).

The Company had not incurred any credit losses at the balance sheet date and therefore no provisions were required. There are no loans that are past due at the balance sheet date and there is no current expectation that any credit loss will be incurred on mortgages held.

#### **Risk management and control**

The Company seeks to manage all the risks that arise from its activities. There is a formal structure for monitoring and managing risk comprising a risk appetite agreed by the Board, detailed risk management policies, and independent governance and oversight risk.

As a result of its normal business activities, the Company is exposed to a variety of risks, the most significant of which are

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

In addition to these risks, the Company is exposed to the effects of the economic cycle, particularly relating to the UK residential housing market, and competitive nature of the financial services market in which we operate.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Directors' report for the year ended 31 March 2012 (continued)**

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#### **Risk management and control (continued)**

The risk management objectives and policies which correspond to these risks and uncertainties of the Company are shown in note 13

#### **Key performance indicators**

Key performance measures comprise both financial and non-financial indicators and are monitored at Group level. There are six measures: number 1 for service satisfaction, deepening our customer relationships, core tier 1 ratio, other income, underlying profitability, and employee enablement and engagement. Further information on these and the Group's performance against them can be found in the directors' report of the Nationwide Building Society's Annual Report and Accounts.

#### **Going concern**

The Company is fully funded by its parent, Nationwide Building Society. The Society's Board of directors has confirmed that the parent will continue to fund the Company's activities for the foreseeable future. 'Foreseeable future' is considered for this purpose to be a period at least 12 months forward from the date of approval of the financial statements. Taking this into account, the directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

#### **Directors and directors' interests**

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 2.

At no time during the year have the directors, or their families, had any beneficial interest in the shares of the Company. None of the directors had a material interest in any contract significant to the Company's business.

#### **Employees**

The Company has no employees (2011: nil), all are employed by the parent undertaking, Nationwide Building Society.

#### **Creditor payment policy**

The Creditor payment policy is operated at Group level, reflecting the use of the central Group accounts payable function. The Group's policy is to agree the terms of payment with suppliers at the start of trading, ensure suppliers are aware of the terms of payment and pay in accordance with its contractual and other legal obligations. The Group's policy is to settle the supplier's invoice for the complete provision of goods and services (unless there is an express provision for stage payments), when in full conformity with the terms and conditions of the purchase, within the agreed payment terms. The Group's creditor days were 19 days at 4 April 2012 (2011: 18 days).

#### **Environment**

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities.

## **NATIONWIDE SYNDICATIONS LIMITED**

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### **Directors' report for the year ended 31 March 2012 (continued)**

#### **Environment (continued)**

The Group has a comprehensive programme of activity on environmental issues. It runs an active carbon-saving programme and has taken action on issues such as transport, lighting, heating and recycling.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office.

#### **Directors' indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of the Company and its directors.

#### **Domicile**

The Company is limited by shares, it is registered, domiciled and operates solely in its country of incorporation, England and Wales. The registered office is Nationwide House, Pipers Way, Swindon, Wiltshire, SN38 1NW.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Directors' report for the year ended 31 March 2012 (continued)**

#### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements 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 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 and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable IFRSs as adopted by the European Union have been followed, 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.

#### **Statement of disclosure of information to auditors**

In accordance with Section 418 of the Companies Act 2006, for each director in office at the date the directors' report is approved:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of directors and signed on its behalf by



Mark Rennison

Director

22 NOVEMBER .2012

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Independent auditors' report to the members of Nationwide Syndications Limited**

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We have audited the financial statements of Nationwide Syndications Limited for the year ended 31 March 2012 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes. 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.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 6, 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **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 March 2012 and of its profit and cash flows 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 matters 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.



## **NATIONWIDE SYNDICATIONS LIMITED**

### **Independent auditors' report to the members of Nationwide Syndications 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



Richard Oldfield (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

27 November 2012

## Statement of comprehensive income for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Interest receivable and similar income	3	27,213	30,545
Interest expense and similar charges	4	(23,363)	(26,661)
<b>Net interest income</b>		<b>3,850</b>	<b>3,884</b>
Fee and commission income	5	566	756
<b>Profit before tax</b>	6	<b>4,416</b>	<b>4,640</b>
Taxation expense	9	(36)	(1,299)
<b>Profit for the year</b>		<b>4,380</b>	<b>3,341</b>
<b>Total comprehensive income for the year</b>		<b>4,380</b>	<b>3,341</b>

The notes on pages 13 to 24 form part of these financial statements

**NATIONWIDE SYNDICATIONS LIMITED****Balance sheet as at 31 March 2012**

	Note	2012 £'000	2011 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Loans and advances to customers	10	669,499	757,798
<b>Current assets</b>			
Loans and advances to customers	10	7,210	11,680
Current tax asset		1,026	-
<b>Total assets</b>		<b>677,735</b>	<b>769,478</b>
<b>Liabilities</b>			
<b>Non current liabilities</b>			
Amounts owed to parent undertaking	11	387,207	474,627
<b>Current liabilities</b>			
Amounts owed to parent undertaking	11	186,146	195,250
Group relief payable		2,167	-
Current tax liability		-	1,766
<b>Total liabilities</b>		<b>575,520</b>	<b>671,643</b>
<b>Equity</b>			
Share capital	12	-	-
Retained earnings		102,215	97,835
<b>Total equity</b>		<b>102,215</b>	<b>97,835</b>
<b>Total equity and liabilities</b>		<b>677,735</b>	<b>769,478</b>

The notes on pages 13 to 24 form part of these financial statements

The financial statements were approved by the Board of directors on 22 November 2012

Signed on behalf of the Board of directors

 Director MARK RENNISON

**NATIONWIDE SYNDICATIONS LIMITED****Statement of changes in equity for the year ended 31 March 2012**

	Share capital £'000	2012 Retained earnings £'000	Total £'000	Share capital £'000	2011 Retained earnings £'000	Total £'000
Balance at 1 April	-	97,835	97,835	-	94,494	94,494
Total comprehensive income for the year	-	4,380	4,380	-	3,341	3,341
Balance at 31 March	-	102,215	102,215	-	97,835	97,835

The notes on pages 13 to 24 form part of these financial statements

**NATIONWIDE SYNDICATIONS LIMITED****Cash flow statement for year ended 31 March 2012**

	2012 £'000	2011 £'000
<b>Cash flow from operating activities</b>		
<b>Profit before tax</b>	<b>4,416</b>	<b>4,640</b>
Adjustments for		
Decrease in loans and advances to customers	<b>92,769</b>	18,984
Decrease in amounts owed to parent undertaking	<b>(96,524)</b>	(21,032)
<b>Cash generated from operations</b>	<b>661</b>	<b>2,592</b>
Group relief paid	-	(1,919)
Tax paid	<b>(661)</b>	(673)
<b>Net cash flows from operating activities</b>	-	-
<b>Net increase in cash</b>	-	-
Cash and cash equivalents at the start of the year	-	-
<b>Cash and cash equivalents at the end of the year</b>	-	-

Cash and cash equivalents comprise cash which at 31 March 2012 totalled £nil (2011 £nil)

The notes on pages 13 to 24 form part of these financial statements

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2012**

#### **1. Statement of accounting policies**

##### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union and with those parts of the Company's Act 2006, applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention. A summary of the significant accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Further details on critical accounting estimates are given in note 2.

Comparatives are presented on a basis that is consistent with the current year's presentation.

##### **Changes in accounting policy**

The following IFRS pronouncement, relevant to the Company, was adopted with effect from 1 April 2011:

- Improvements to IFRSs (May 2010). Several small amendments, the most significant of which requires disclosure of the financial effect of collateral held.

##### **Future accounting developments**

The following pronouncements, relevant to the Company, are neither adopted by the EU nor effective at 31 March 2012 and have not therefore been applied in preparing these financial statements:

<b>Pronouncement</b>	<b>Nature of change</b>	<b>Effective date</b>
IFRS 9 Financial Instruments and subsequent amendments	The new standard addresses Phase 1 of the IASB's project to replace IAS 39 Financial Instruments Recognition and Measurement and requires financial assets to be classified as at amortised cost or at fair value.  Financial liabilities will be treated as at present under IAS 39.	Accounting periods (AP) beginning on or after 1 January 2015
IFRS 7 Transitional Disclosures for IFRS 9	Requires additional disclosures on adoption of IFRS 9 to enable users to understand the effect of transition from IAS 39.	AP beginning on or after 1 January 2015
IAS 1 Presentation of Items of Other Comprehensive Income	Requires entities to group items presented in the statements of other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods.  The amendment will only have a presentational impact on the Company's statements of comprehensive income.	AP beginning on or after 1 July 2012

**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2012 (continued)****1. Statement of accounting policies (continued)****Future accounting developments (continued)**

<b>Pronouncement</b>	<b>Nature of change</b>	<b>Effective date</b>
IFRS 13 Fair Value Measurement	Replaces guidance on fair value measurement in existing IFRS accounting literature with a single standard. The standard does not change the requirements regarding which items should be measured or disclosed at fair value but does require enhanced disclosures.  With the exception of enhanced disclosures, the new standard is not expected to have a significant impact for the Company.	AP beginning on or after 1 January 2013
IFRS 7 Offsetting Disclosures	Requires additional disclosures to enable users to evaluate the effect of netting arrangements, including rights of set off, of financial assets and liabilities.	AP beginning on or after 1 January 2013
IAS 32 Offsetting Financial Assets and Financial Liabilities	Clarifies existing offsetting criteria. The amendment is not expected to have an impact for the Company.	AP beginning on or after 1 January 2014
Annual improvements to IFRSs 2009-2011 Cycle	Several small amendments which are not expected to have a significant impact for the Company.	AP beginning on or after 1 January 2013

**a) Interest receivable and interest expense**

For instruments measured at amortised cost the effective interest (EIR) method is used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption charges), but does not consider future credit losses. The calculation includes all fees received and paid and costs borne that are an integral part of the effective interest rate and all other premiums or discounts above or below market rates.

Once a financial asset has been written down as result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**b) Fees and commissions**

Direct fees and costs incremental to generating a financial instrument are deferred and spread as interest receivable or interest expense on an effective interest basis.

Other fees and commissions are recognised on the accruals basis as services are provided, or on the performance of a significant act.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2012 (continued)**

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#### **1. Statement of accounting policies (continued)**

##### **c) Taxation including deferred tax**

Corporation tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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 tax is realised or settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balance on a net basis.

##### **d) Loans and receivables**

The Company's mortgage loans are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans are recognised when the funds are advanced to customers. Loans and receivables are carried at amortised costs using the effective interest method less provisions for impairment.

##### **e) Derecognition of financial assets**

Loans are derecognised only when the contractual right to the cash flows from the financial asset expires.

##### **f) Impairment of loans and receivables**

The Company assesses at each balance sheet date whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that a financial asset or group of financial assets is impaired. Evidence of impairment may include:

- i) indications that the borrower or group of borrowers are experiencing significant financial difficulty
- ii) default or delinquency in interest or principal payments
- iii) debt being restructured to reduce the burden on the borrower

The Company first assesses whether objective evidence of impairment exists either individually or collectively for assets that are not separately significant. If there is no objective evidence of impairment for an individually assessed asset it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment.



## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2012 (continued)**

---

#### **1. Statement of accounting policies (continued)**

##### **f) Impairment of loans and receivables (continued)**

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. This estimate of future cash flows necessarily includes our expectation of the value of collateral in the future. The resultant provisions are deducted from the appropriate asset values in the balance sheet. The provision methodology recognises previous arrears as a driver of future possible default and therefore accounts which have either capitalised arrears or have been in arrears in the last 12 months typically attract a higher provision level.

Where there is objective evidence of impairment, we assess cash flows on a case by case basis considering the following factors:

- (i) our aggregate exposure to the customer
- (ii) the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations
- (iii) the amount and timing of expected receipts and recoveries
- (iv) the likely dividend available on liquidation or bankruptcy
- (v) the extent of other creditors' claims ranking ahead of the Company's, and the likelihood of other creditors continuing to support the customer
- (vi) the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident
- (vii) the realisable value of security at the expected date of sale (or other credit mitigants) and likelihood of successful repossession
- (viii) the likely deduction of any costs involved in recovery of amounts outstanding, and
- (ix) when available, the secondary market price of the debt

In the case of other loans, cash flows are estimated based on past experience combined with our view of the future considering the following factors:

- (i) our aggregate exposure to the customer
- (ii) based on the number of days in arrears at the balance sheet date, the likelihood that a loan will progress through the various stages of delinquency and ultimately be written off
- (iii) the amount and timing of expected receipts and recoveries
- (iv) the realisable value of any security at the estimated date of sale, and
- (v) the likely deduction of any costs involved in the recovery of amounts outstanding

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the provision is adjusted and the amount of the reversal is recognised in the statement of comprehensive income.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the statement of comprehensive income.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2012 (continued)**

---

#### **1. Statement of accounting policies (continued)**

##### **f) Impairment of loans and receivables (continued)**

Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired or are considered to be past due. Loans subject to collective impairment assessment and whose terms have been renegotiated are no longer considered to be past due or impaired, assuming that there is no change to the total estimated future cash flows, but are treated as new loans after the minimum required number of payments under the new arrangements have been received.

##### **g) Segmental reporting**

The Company has only one business segment and operates wholly in the UK. Accordingly, no segmental analysis has been presented in these financial statements.

##### **h) Share capital**

Ordinary shares, net of directly attributable issue costs, are classified as equity. Dividends paid on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the shareholder.

##### **i) Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.

##### **j) Financial liabilities**

Financial liabilities are initially recognised at fair value and subsequently held at amortised cost. They are derecognised from the balance sheet when the obligation is discharged, cancelled or has expired.

#### **2. Judgements in applying accounting policies and critical accounting estimates**

The Company has to make judgements in applying its accounting policies which affect the amounts recognised in the accounts. In addition, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the following financial year. The most significant area where judgements and estimates are made is as follows:

##### **Impairment provisions on loans and advances**

In accordance with the accounting policy on the impairment of loans and advances to customers, the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Key assumptions included in the measurement of the impairment include the probability of any account going into default, the probability of defaulted accounts progressing to possession and the eventual loss incurred in the event of forced sale or write off. These assumptions are based on observed historical data and updated as management considers appropriate to reflect current and future conditions. The accuracy of the impairment provision would therefore be affected by unexpected changes in these assumptions. There is no evidence of a requirement for any impairment provisions in the Company.

**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2012 (continued)****3. Interest receivable and similar income**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Commercial lending interest receivable	<b>27,213</b>	<b>30,545</b>

**4. Interest expense and similar charges**

Interest expense and similar charges of £23,363,000 (2011 £26,661,000) related to interest payable on amounts owed to parent undertaking

**5. Fee and commission income**

Fee and commission income of £566,000 (2011 £756,000) related to charges on loans and advances to customers

**6. Profit before tax**

Auditors remuneration of £7,164 (2011 £6,000) was borne by the parent undertaking, Nationwide Building Society

**7. Employee information**

The Company has no employees (2011 nil) All staff are employed by the parent undertaking, Nationwide Building Society

**8. Directors' emoluments**

The directors of the Company are also employees or directors of the ultimate parent undertaking, Nationwide Building Society They received no emoluments in respect of their services to the Company (2011 £nil)

**9. Taxation expense**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Current tax		
UK corporation tax	<b>1,148</b>	<b>1,299</b>
Adjustments in respect of prior years	<b>(1,112)</b>	<b>-</b>
<b>Taxation</b>	<b>36</b>	<b>1,299</b>

The current tax charge includes debits of £871,000 of group relief as a result of relieving current year losses of other Group entities

**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2012 (continued)****9. Taxation expense (continued)**

The actual tax charge differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK as follows

	2012 £'000	2011 £'000
<b>Profit before tax</b>	<b>4,416</b>	<b>4,640</b>
Tax calculated at a rate of 26% (2011 28%)	<b>1,148</b>	<b>1,299</b>
Effects of Adjustments in respect of prior years	<b>(1,112)</b>	<b>-</b>
<b>Taxation</b>	<b>36</b>	<b>1,299</b>

**10. Loans and advances to customers**

Loans and advances to customers comprise commercial mortgages to registered social landlords, secured on their underlying assets. The remaining maturity from the date of the balance sheet is as follows

	2012 £'000	2011 £'000
On demand	<b>2,210</b>	<b>2,680</b>
In more than three months but not more than one year	<b>5,000</b>	<b>9,000</b>
In more than one year but not more than five years	<b>27,750</b>	<b>29,855</b>
In more than five years	<b>641,749</b>	<b>727,943</b>
	<b>676,709</b>	<b>769,478</b>

**11. Amounts owed to parent undertaking**

Repayable from the date of the balance sheet in the ordinary course of business as follows

	2012 £'000	2011 £'000
Repayable on demand	<b>160,804</b>	<b>163,947</b>
In not more than three months	<b>6,342</b>	<b>22,303</b>
In more than three months but not more than one year	<b>19,000</b>	<b>9,000</b>
In more than one year but not more than five years	<b>39,750</b>	<b>79,562</b>
In more than five years	<b>347,457</b>	<b>395,065</b>
	<b>573,353</b>	<b>669,877</b>

The amounts owed to parent undertaking comprise two elements. Part is variable interest rate funding and is repayable on demand while the remainder comprises of a series of fixed interest rate funding transactions repayable on the specific terms of each loan.

All intercompany transactions are entered into on normal market conditions. The variable interest rate is predetermined and linked to LIBOR. The fixed rate funding is set up to match fixed rate lending undertaken by the Company. All intercompany loans are unsecured.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2012 (continued)**

#### **12. Share capital**

	2012	2011
	£	£
<b>Authorised, issued and fully paid:</b>		
2 Ordinary shares of £1 each	2	2

#### **13. Risk management and control**

##### **Overview**

Nationwide Syndications Limited seeks to manage appropriately all the risks that arise from its activities. The principal risks inherent within the Company's business are credit risk, market risk, liquidity risk and operational risk.

Competitive pressure in the UK is a continuing risk for the Company, which could result in it losing sales to its key competitors. The Company manages this risk through its strategic planning process through which strategy is developed and measures to determine progress are established and monitored.

##### **Credit risk**

The Company takes on exposure to credit risk, which is defined as the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or a sector that represents a concentration in the Company's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management, therefore, carefully monitors its exposure to credit risk.

Credit risk is managed at a Group level. The Group's Lending Committee for Retail, Commercial and Treasury is responsible for approving and monitoring the Group's credit exposures which it does through formal annual review and approval of the Group's lending policies. Regular monitoring and review of lending is undertaken through detailed management information. Formal limits are set and reviewed at individual, segment and portfolio levels based on credit exposures split by individual counterparties, geographical location and industry sector. Summary minutes of the Lending Committee together with key risk monitoring metrics are reviewed by the Executive Risk Committee.

Prior to advancing funds, an assessment is made of the credit quality of borrowers and other counterparties. All lending is subject to counterparty assessment that includes the use of multiple rating methodologies.

Maximum credit risk exposure at 31 March 2012 was £764.1 million (2011: £865.1 million) which includes the carrying value of all financial assets and commitments. These commitments represent agreements to lend in the future, subject to certain conditions.

The carrying amounts of financial assets and the commitments for future lending best represent the maximum credit risk exposure at the balance sheet date. The Company had not incurred any credit losses at the balance sheet date and therefore no provisions were provided. There are no assets that are past due at the balance sheet date and there is no current expectation that any credit loss will be incurred on mortgages held.

**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2012 (continued)****13. Risk management and control (continued)****Market risk**

The type of market risk which the Company is exposed to is interest rate risk. Interest rate risk is the risk that the value of, or income arising from, the Company's assets and liabilities changes as a result of changes in interest rates. Interest rate risk arises from the mortgages that the Company offers. The varying interest rate features and maturities of the mortgages, and the need to obtain funding to maintain this product, create interest rate risk. The Company manages this risk by the matching of its mortgages and intra-Group funding and in the pricing of mortgage products so that the risk is minimised, and therefore a sensitivity analysis is not required.

Interest rate risk is managed at Group level. The Nationwide Board and the Group Assets and Liabilities Committee (ALCO) are responsible for setting certain parameters over the Group's exposure to interest rates and other indices. Group exposure to interest rate risk is managed on a continuous basis, within the parameters set by ALCO. Further details of the Group's interest rate risk monitoring processes are included in the Group Annual Report and Accounts.

**Liquidity risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an excessive cost. The Company has no liquidity risk provided the Company's parent, Nationwide Building Society, continues to fund the Company's activities in accordance with its current funding arrangements. Assurance as to the continuance of these arrangements forms part of the going concern basis adopted in preparing the financial statements.

The Group liquidity policy is to maintain sufficient liquid resources to cover cash flow mismatches and fluctuations in funding, to retain full public confidence in the solvency of the Group and to enable it to meet all financial obligations. This is achieved through maintaining a prudent level of high quality liquid assets, through management and stress testing of business cash flows, and through management of funding facilities. The Group liquidity risk management policy is approved by the Board.

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

<b>2012 – Residual maturity</b>	<b>Repayable on demand £'000</b>	<b>Up to 3 months £'000</b>	<b>3 - 12 months £'000</b>	<b>1 - 5 years £'000</b>	<b>More than 5 years £'000</b>	<b>Total £'000</b>
<b>Assets</b>						
Loans and advances to customers	2,210	-	5,000	27,750	641,749	676,709
<b>Total assets</b>	<b>2,210</b>	<b>-</b>	<b>5,000</b>	<b>27,750</b>	<b>641,749</b>	<b>676,709</b>
<b>Liabilities</b>						
Amounts owed to parent undertaking	160,804	6,342	19,000	39,750	347,457	573,353
<b>Total liabilities</b>	<b>160,804</b>	<b>6,342</b>	<b>19,000</b>	<b>39,750</b>	<b>347,457</b>	<b>573,353</b>
<b>Net liquidity gap</b>	<b>(158,594)</b>	<b>(6,342)</b>	<b>(14,000)</b>	<b>(12,000)</b>	<b>294,292</b>	<b>103,356</b>

**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2012 (continued)****13. Risk management and control (continued)****Liquidity risk (continued)**

2011 – Residual maturity	Repayable on demand £'000	Up to 3 months £'000	3 - 12 months £'000	1 - 5 years £'000	More than 5 years £'000	Total £'000
<b>Assets</b>						
Loans and advances to customers	2,680	-	9,000	29,855	727,943	769,478
<b>Total assets</b>	2,680	-	9,000	29,855	727,943	769,478
<b>Liabilities</b>						
Amounts owed to parent undertaking	163,947	22,303	9,000	79,562	395,065	669,877
<b>Total liabilities</b>	163,947	22,303	9,000	79,562	395,065	669,877
<b>Net liquidity gap</b>	(161,267)	(22,303)	-	(49,707)	332,878	99,601

The analysis above excludes non-financial assets including current tax assets and non-financial liabilities including current tax liabilities and group relief liabilities

The prior year comparatives have been amended to exclude non-financial liabilities to be consistent with the current year's presentation

The Group Assets and Liabilities Committee (ALCO) is responsible for setting limits over the level and composition of liquidity balances, the level and maturity profile of wholesale funding and for monitoring the composition of the balance sheet. A series of liquidity stress tests is performed daily to determine the required levels of liquidity.

The following is an analysis of gross undiscounted contractual cash flows payable under financial liabilities

2012 – Gross Contractual cash flows	Repayable on demand £'000	Up to 3 months £'000	3 - 12 months £'000	1 - 5 years £'000	More than 5 years £'000	Total £'000
Amounts owed to parent undertaking	160,804	7,194	21,477	51,983	354,689	596,147
<b>Total liabilities</b>	160,804	7,194	21,477	51,983	354,689	596,147
<b>2011 – Gross Contractual cash flows</b>	<b>Repayable on demand £'000</b>	<b>Up to 3 months £'000</b>	<b>3 - 12 months £'000</b>	<b>1 - 5 years £'000</b>	<b>More than 5 years £'000</b>	<b>Total £'000</b>
Amounts owed to parent undertaking	163,947	23,184	11,560	91,955	402,102	692,748
<b>Total liabilities</b>	163,947	23,184	11,560	91,955	402,102	692,748

The analysis of gross contractual cash flows above differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates, for the average period until maturity on the amounts outstanding at the balance sheet date

## NATIONWIDE SYNDICATIONS LIMITED

### Notes to the financial statements for the year ended 31 March 2012 (continued)

#### 13. Risk management and control (continued)

##### Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events

The Group operational risk framework has been reviewed and enhanced to maintain a robust risk management capability. Risk appetite is focused on minimising any impacts on our customer service and is considered as part of decision making across the business. Operational risk is included in the Group's risk governance structure to ensure effective oversight, monitoring and reporting of the key operational risk and control policy areas detailed below

- Third party
- Business continuity
- Financial crime
- Financial reporting, accounting, management and taxation
- Information management
- Information security
- Information technology
- People
- Premises and physical assets
- Service delivery

##### Fair value of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Company balance sheet at fair value

	2012		2011	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
<b>Financial assets</b>				
Loans and advances to customers	676,709	753,210	769,478	818,884
<b>Financial liabilities</b>				
Amounts owed to parent undertaking	573,353	649,854	669,877	719,283

##### a) Loans and advances to customers

The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

##### b) Amounts owed to parent undertaking

The estimated fair value of fixed interest borrowings without quoted market price is based on discounted cash flows using interest rates for new borrowings with similar remaining maturity.



## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2012 (continued)**

#### **14. Related party transactions**

##### **Key management personnel**

Key management personnel include both the directors of Nationwide Syndications Limited and of the parent and ultimate controlling party, Nationwide Building Society. Total compensation for key management personnel for the year totalled £nil (2011: £nil).

##### **Transactions with key management personnel**

There were no transactions with key management personnel (2011: £nil).

##### **Transactions with parent undertaking**

Amounts owed to Nationwide Building Society, the parent undertaking, are detailed in note 11. Movements on amounts owed to the parent undertaking during the year are set out below.

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	669,877	690,909
Advances during the year	<b>14,610</b>	22,332
Repayments during the year	<b>(111,134)</b>	(43,364)
At 31 March	<b>573,353</b>	669,877

In the year to 31 March 2012 £23.4 million of interest was charged and paid on these amounts (2011: £26.7 million).

#### **15. Commitments**

The Company has commitments to lend of £87.4 million at 31 March 2012 (2011: £95.6 million) under existing syndicated lending facilities.

#### **16. Capital management**

Capital comprises the retained earnings and share capital. Capital is managed on a Group basis.

The Group is subject to the capital requirements imposed by its regulator, the Financial Services Authority (FSA). During the year, the Group complied with the capital requirements set by the FSA. Further information on the Group's capital position can be viewed in the business review of the Group's Annual Report and Accounts, which can be obtained from the address below or at [nationwide.co.uk](http://nationwide.co.uk).

#### **17. Ultimate parent undertaking**

The Company is a wholly owned subsidiary of Nationwide Building Society, its immediate and ultimate parent and controlling party, which is registered in England and Wales. The Society is registered at Nationwide House, Pipers Way, Swindon, Wiltshire, SN38 1NW. The Annual Report and Accounts of Nationwide Building Society can be obtained from this address.