Registered Number: 02537970

Nationwide Syndications Limited

Annual Report and Financial Statements for the year ended 31 March 2017

Contents

Directors and company information

Directors
H Leatherland
M Rennison
A Alexander
H Billington

Company secretary
V Orme

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

Registered office
Nationwide House
Pipers Way
Swindon
SN38 1NW

Registered number
02537970

Directors' report for the year ended 31 March 2017

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31 March 2017.

As set out in the statement of accounting policies, the annual report and financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

Principal activities

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

The principal activity of the Company is the management of a portfolio of loans specialising in syndicated commercial loans to registered social landlords.

The Company has ceased to offer new lending and continues to focus on maximising value for the Group by servicing its existing loan portfolio and customers.

Results and dividends

The loss after tax was £4.1 million (2016: £4.1 million). No dividends were proposed, approved or paid during the year (2016: £nil).

Strategic report, future developments and key performance indicators

The Company's business and future plans are reviewed in the strategic report, which also includes an overview of the Company's risk management. This report also includes the Company's principal key performance indicators.

Employees

The Company has no employees (2016: nil). All staff, including the directors of the Company, are employed by the Group.

Environment

The Company's environmental policy is set at a Group level. The Group remains committed to managing its environmental impacts and its goal is to be among the best performers for environmental sustainability in the UK financial services sector. To deliver this goal, the Group continues to pursue a number of targets to reduce the environmental impact of its activities and identify, target and address inefficiencies in its supply chain.

Further details of the Group's activities can be found in the directors' report in its Annual Report and Accounts and on Nationwide Building Society's website at **nationwide.co.uk**.

Directors' indemnities

The Group purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

Directors and directors' interests

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

H Leatherland
M Rennison
A Alexander
H Billington

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 any interest in any contract significant to the Company's business.

Company secretary

Jason Lindsey resigned as Company secretary on 30 November 2016, and Victoria Orme was appointed on 30 November 2016.

Domicile

The Company is limited by shares. It is registered, domiciled and operates in the United Kingdom. The registered office is Nationwide House, Pipers Way, Swindon, SN38 1NW.

Going concern

The Company is fully funded by its parent undertaking, Nationwide Building Society. Nationwide Building Society's board of directors has confirmed that the parent undertaking will continue to fund the Company's activities for the foreseeable future. The foreseeable future is considered for this purpose to be a period at least 12 months 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.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and 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 applicable law and United Kingdom Accounting Standards (UK GAAP), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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 apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK GAAP standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. .

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 auditors

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

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

(b) they have taken all the steps that they ought to have taken as a director to make themselves 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

Director MARK RENNISON

25 August 2017

Business review

The Company recorded a loss before tax for the year of £5.1 million (2016: £5.1 million). Losses have remained stable in the year.

The retained earnings carried forward are £84.5 million (2016: £88.6 million).

Future developments

Whilst the loan portfolio remains closed to new business, the Company will continue to maintain its loan portfolio and support existing customers.

Strategic goals

Although strategic goals are set at Group level, the Board is aware of the Company's role in supporting the Group's ambition to meet these goals over the remaining period to maturity of the Company's existing loan portfolio. The key performance indicators in relation to the Group's strategic goals are set out below:

- Deliver optimum profitability by targeting £0.9 billion - £1.3 billion underlying profit per annum
- Ensure capital strength by maintaining a leverage ratio of at least 4%
- Engage and enable its people by achieving cross-industry high performance (HP) benchmarks
- Be a market leader with a 2% lead for customer service satisfaction
- Grow the base of engaged members to 10 million by 2022
- Be 1st choice with a 4% lead in prompted brand consideration by 2022 in traditional and digital media
- Be a market leader with a 3% lead for trusted brand recognition.

Risk overview

The Company's risk management policies are set at Group level. Effective risk management is at the heart of the business, supporting the delivery of the Group's strategy by ensuring the business is built to last and continues to be safe and sustainable, protecting members' interests. An enterprise-wide risk management framework ensures that risks are managed effectively. This is underpinned by the three lines of defence model which ensures independent oversight and audit of risk management carried out by the business.

The Group's principal risks are:

- lending risk
- financial risk
- operational risk
- conduct and compliance risk
- strategic risk.

For each of these principal risks, a formal statement of Board appetite for risk defines how much risk the Board is prepared to take in pursuit of its goals and establishes a framework for decision making. Performance is reviewed regularly against these statements to ensure that the business operates within risk appetite.

Risk overview (continued)

Lending and financial risk

Further information on lending and financial risk is included in note 12.

Operational risk

The Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group manages operational risk across a number of subcategories, the most significant of which cover cyber, IT resilience and security, business continuity, payments and fraud.

The Group's operational risk profile is informed by risk assessments from across the business and by review and challenge by both management and the Risk Oversight function. Risk Oversight supports the business in managing the risks it faces in its normal day-to-day activities and when implementing change programmes. The Group continues to strengthen and embed the operational risk framework, expanding the use of techniques such as scenario analysis and 'war-gaming' to support the understanding of current and future risks and to optimise risk-based decision making across the business.

Risk Oversight also monitors and reports on the operational risk events that have occurred to better understand those exposures that require management attention. For the purposes of this report, operational risk events include only those where a financial loss arises from an operational risk incident. The Group records operational risk events against causal categories, as well as reporting them against the operational risk categories defined by the Basel Committee on Banking Supervision in Basel II. This allows comparison of operational risk experience with its peer group.

Conduct and compliance risk

Conduct and compliance risk is the risk that the Group exercises inappropriate judgement or makes errors in the execution of its business activities, leading to non-compliance with regulation or legislation, market integrity being undermined, or an unfair outcome being created for members and customers. A programme of activity is underway to continually assess and mature the approach to the management of conduct and compliance risk across the Group.

Strategic risk

The Group defines strategic risk as the risk of significant loss or damage arising from business decisions that impact the long-term interests of the membership, or from an inability to adapt to external developments. It encompasses risks that could become a material issue for the Group's business model or arise from strategic initiatives. Whilst all business areas are responsible for managing their own risks, management of strategic risk is primarily the responsibility of the Executive Committee.

The Group assesses the external environment to consider risks that may materially affect the delivery of its strategy and aims to address these risks in developing its plans. Key activities to support the management of strategic risk include stress testing processes and the regular review of business performance and risk reporting data by the Board and Executive Committee. Some of the top and emerging risks have the potential to affect more than one risk category and could have a significant impact on the business model if these were to crystallise within the same timeframe and are therefore monitored under strategic risk.

Risk overview (continued)

Further details of the management of the Group's principal risks can be found in the business and risk report of the Group's Annual Report and Accounts.

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

Director MARK RENNISON
25 August 2017

Independent auditors' report to the members of Nationwide Syndications Limited

Report on the financial statements

Our opinion

In our opinion, Nationwide Syndications Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the annual report, comprise:

- the balance sheet as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 *Reduced Disclosure Framework* and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example, in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken during the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the strategic report and the directors' report. We have nothing to report in this respect.

Independent auditors' report to the members of Nationwide Syndications Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained fully in the Statement of directors' responsibilities 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) (ISAs (UK & Ireland)). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including its 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

Responsibilities for the financial statements and the audit (continued)

What an audit of financial statements involves (continued)

We test and examine information using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report. With respect to the strategic report and directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Laura Needham

Laura Needham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 August 2017

NATIONWIDE SYNDICATIONS LIMITED

Statement of comprehensive income for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000 (note i)
Interest receivable and similar income	3	**14,610**	15,428
Interest expense and similar charges	4	**(16,331)**	(17,170)
Net interest expense		**(1,721)**	(1,742)
Fee and commission income	5	**76**	110
Total loss		**(1,645)**	(1,632)
Administrative expenses	6	**(3,476)**	(3,516)
Loss before tax		**(5,121)**	(5,148)
Taxation credit	7	**1,024**	1,030
Loss after tax, being total comprehensive expense for the year		**(4,097)**	(4,118)

Note:

i. Comparatives have been restated as detailed in note 1.

The notes on pages 15 to 29 form part of these financial statements.

Balance sheet as at 31 March 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Loans and advances to customers	9	**483,711**	494,195
Current assets			
Loans and advances to customers	9	**5,886**	4,071
Group relief asset		**2,054**	2,439
Total assets		**491,651**	500,705
Liabilities			
Non-current liabilities			
Amounts owed to parent undertaking	10	**307,569**	316,152
Current liabilities			
Amounts owed to parent undertaking	10	**99,574**	95,948
Total liabilities		**407,143**	412,100
Equity			
Share capital	11	**-**	-
Retained earnings		**84,508**	88,605
Total equity		**84,508**	88,605
Total equity and liabilities		**491,651**	500,705

The notes on pages 15 to 29 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25 August 2017.

MARK RENNISON

Director
25 August 2017

NATIONWIDE SYNDICATIONS LIMITED

Statement of changes in equity for the year ended 31 March 2017

	2017			2016		
	Share capital £'000	**Retained earnings £'000**	**Total equity £'000**	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 April	-	88,605	88,605	-	92,723	92,723
Loss for the year	-	(4,097)	(4,097)	-	(4,118)	(4,118)
Total comprehensive expense	-	(4,097)	(4,097)	-	(4,118)	(4,118)
At 31 March	-	**84,508**	**84,508**	-	88,605	88,605

The notes on pages 15 to 29 form part of these financial statements.

1 Statement of accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). The financial statements have been prepared under the historical cost convention. As stated in the directors' report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. Accounting policies have been consistently applied in preparing these financial statements. The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of International Accounting Standard (IAS) 7 *Statement of Cash Flows*
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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.

Restatement of amounts owed to parent undertaking

The prior year comparatives have been restated to reclassify administrative costs recharged from the parent undertaking from interest expense and similar charges to administrative expenses. The effect of this restatement on the 31 March 2016 statement of comprehensive income is as follows:

	As reported £'000	As restated £'000
Interest expense and similar charges	**(20,686)**	**(17,170)**
Administrative expenses	**-**	**(3,516)**

New standards, amendments and IFRIC interpretations

Minor amendments to IAS 1 *Presentation of Financial Statements*, together with the annual improvements to the IFRSs 2012-2014 cycle, were adopted with effect from 1 April 2016. The adoption of these amendments and improvements had no significant impact for the Company.

1 Statement of accounting policies (continued)

a) Interest receivable and interest expense

For instruments measured at amortised cost, the effective interest rate method is used to measure the carrying value of a financial asset or 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 penalty charges) and anticipated customer behaviour 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, transaction costs and all other premiums or discounts above or below market rates.

Once a financial asset or a group of similar financial assets has been written down as a 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

Fees and commissions not directly attributable to generating a financial instrument are recognised on the accruals basis as services are provided, or on the performance of a significant act.

c) Taxation including deferred tax

Current 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is 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 where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle on a net basis.

d) Financial assets

Financial assets are recognised initially at fair value. Purchases and sales of financial assets are accounted for at trade date. Financial assets are derecognised when the rights to receive cash flows have expired or where the assets have been transferred and substantially all of the risks and rewards of ownership have been transferred.

The Company's financial assets comprise loans and receivables.

1 Statement of accounting policies (continued)

d) Financial assets (continued)

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

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

e) Impairment of financial assets

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 are 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 for assets that are separately significant, or 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.

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. The resultant provisions are deducted from the appropriate asset values on the balance sheet.

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 impairment loss changes, the provision is adjusted and the amount of additional provision or reversal is recognised in the income statement.

Loans remain on the balance sheet net of associated provisions until they are deemed no longer recoverable. 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 income statement.

1 Statement of accounting policies (continued)

e) Impairment of financial assets (continued)

In assessing objective evidence of a loss event for commercial loans, the following key indicators are considered:

i) contractually due payments exceeding 30 days in arrears
ii) high loan to value or low interest cover ratio
iii) other covenant breaches
iv) loss of significant tenants or other decreases in tenant quality
v) the probability of the borrower entering bankruptcy
vi) restructuring of the debt relating to the borrower's financial difficulties ('forbearance')
vii) local economic conditions (for example, where this impacts on the value of underlying collateral).

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

i) 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 flows to service debt obligations
iii) the amount and timing of expected receipts and recoveries of collateral
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 borrower
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
viii) the likely deduction of any costs involved in recovery of amounts outstanding
ix) when available, the secondary market price of the debt.

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.

Where a loan is renegotiated on different terms such that it is substantially a different loan, the loan is derecognised and a new loan is recognised at its fair value.

For those loans for which no individual impairment is recognised, a collective impairment assessment is made, taking account of the following factors:

i) size of the loan
ii) arrears status
iii) historical loss experience (adjusted for current market conditions)
iv) the estimated period between impairment occurring and the loss being identified ('emergence period').

1 Statement of accounting policies (continued)

f) Financial liabilities

Borrowings are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred.

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is adjusted for the amortisation of any premiums, discounts and transaction costs. The amortisation is recognised in interest expense and similar charges using the effective interest rate method.

Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired.

g) Fair value of financial assets and liabilities

International Financial Reporting Standard 13 *Fair Value Measurement* (IFRS 13) requires an entity to classify assets and liabilities held at fair value and those not measured at fair value but for which the fair value is disclosed according to a hierarchy that reflects the significance of observable market inputs in calculating those fair values. The three levels of the fair value hierarchy are defined below:

Level 1 – Valuation using quoted market prices

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price reflects actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2 - Valuation technique using observable inputs

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market.

Level 3 - Valuation technique using significant unobservable inputs

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data ('unobservable inputs'). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. An input is deemed significant if it is shown to contribute more than 10% to the valuation of a financial instrument. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

h) Share capital and dividends

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 directors.

2 Judgements in applying accounting policies and critical accounting estimates

No judgements, estimates or assumptions have been made that are considered critical to the preparation of these financial statements.

3 Interest receivable and similar income

Interest receivable and similar income of £14,610 thousand (2016: £15,428 thousand) relates to interest receivable on commercial lending.

4 Interest expense and similar charges

Interest expense and similar charges of £16,331 thousand (2016: £17,170 thousand) relates to interest payable on amounts owed to parent undertaking.

5 Fee and commission income

Fee and commission income of £76 thousand (2016: £110 thousand) relates to charges on loans and advances to customers.

6 Administrative expenses

Administrative expenses of £3,476 thousand (2016: £3,516 thousand) relate to amounts recharged from the parent undertaking.

Auditors' remuneration, relating solely to the audit of these financial statements, of £10 thousand (2016: £10 thousand) was borne by the parent undertaking, Nationwide Building Society.

The Company has no employees (2016: nil). Administration of the Company's loans are carried out by staff who are employed by the Group.

The directors' contracts of service are with the Group and their remuneration is included within the Group's financial statements.

No remuneration or pension scheme benefits were paid or are payable by the Company to the directors. The directors provide services to the Group as a whole and their principal activities are not specific to the business of this Company. It is not possible to make an accurate apportionment of their emoluments to the Company. Hence, no directors' emoluments are disclosed in the financial statements of the Company.

7 Taxation

Tax charge in the income statement	**2017** **£'000**	2016 £'000
Current tax:		
Group relief receivable	**(1,024)**	(1,030)
Taxation credit	**(1,024)**	(1,030)

7 Taxation (continued)

The actual tax credit equates to (2016: equates to) the theoretical amount that would arise using the standard rate of corporation tax in the UK as follows:

Reconciliation of tax charge	**2017**	2016
	£'000	£'000
Loss before tax	**(5,121)**	(5,148)
Tax credit calculated at a rate of 20% (2016: 20%)	**(1,024)**	(1,030)
Tax credit	**(1,024)**	(1,030)

8 Dividends

No dividends were proposed, approved or paid during the year (2016: £nil).

9 Loans and advances to customers

Loans and advances to customers relate to commercial loans to registered social landlords, secured on their underlying assets.

Maturity analysis

The following table shows the residual maturity of loans and advances to customers, based on their contractual maturity:

	2017	2016
	£'000	£'000
		(note i)
In not more than three months	**1,358**	1,453
In more than three months but not more than one year	**4,528**	2,618
In more than one year but not more than five years	**22,023**	13,863
In more than five years	**461,688**	480,332
Total	**489,597**	498,266

Note:

i. Comparatives have been restated for the reclassification of certain amounts based on contractual instalment repayments rather than final maturity dates.

The maturity analysis is produced on the basis that where a loan is repayable by instalments, each such instalment is treated as a separate repayment. The analysis is based on contractual maturity rather than actual redemption levels experienced, which are likely to be materially different. Arrears are spread across the remaining term of the loan.

10 Amounts owed to parent undertaking

Amounts owed to parent undertaking are repayable from the date of the balance sheet in the ordinary course of business as follows:

	2017 £'000	2016 £'000
Repayable on demand	**93,528**	81,387
In not more than three months	**1,552**	1,662
In more than three months but not more than one year	**4,494**	15,359
In more than one year but not more than five years	**75,430**	69,712
In more than five years	**232,139**	243,980
Total	**407,143**	412,100

The amounts owed to parent undertaking comprise two elements. The majority comprises a series of fixed interest rate funding transactions repayable on specific terms set up to match the expected future repayment profile of fixed rate customer mortgages while the remainder is variable interest rate funding and is repayable on demand.

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

11 Share capital

	2017 £	2016 £
Authorised, issued and fully paid:		
2 (2016: 2) Ordinary shares of £1 each	2	2

The Company has one class of ordinary shares which carry no right to fixed income.

12 Risk management and control

Lending risk

Lending risk is the risk that a borrower or counterparty fails to pay interest or to repay the principal on a loan or other financial instrument (such as a bond) on time. Lending risk also encompasses extension risk and concentration risk.

This section provides information on the Company's exposure to lending risk arising from loans and advances, together with details of the level of collateral held and impairment charges recognised during the period. It also provides information about the key risk measures for each of the loan portfolios.

12 Risk management and control (continued)

Maximum exposure to lending risk

Lending risk arises from the Company's exposure to loans and advances to customers. The maximum exposure is the full amount of the loans and any committed facilities.

The Company's maximum exposure to lending risk has fallen from £524,416 thousand to £515,747 thousand.

31 March 2017						
Maximum exposure to lending risk	Gross balance	Less: Impairment provisions	Carrying value	Commitments	Maximum lending risk exposure	% of total lending risk exposure
	£'000	£'000	£'000	£'000	£'000	
Loans and advances to customers	489,597	-	489,597	26,150	515,747	100

31 March 2016						
Maximum exposure to lending risk	Gross balance	Less: Impairment provisions	Carrying value	Commitments	Maximum lending risk exposure	% of total lending risk exposure
	£'000	£'000	£'000	£'000	£'000	
Loans and advances to customers	498,266	-	498,266	26,150	524,416	100

The Company's off balance sheet commitments relate to agreements to lend in the future, subject to certain conditions. Such commitments are cancellable by the Company, subject to notice requirements, and given their nature are not expected to be drawn down to the full level of exposure.

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

The registered social landlord portfolio is secured against portfolios of residential real estate owned and let by UK housing associations. Collateral is typically revalued at least every five years based on standard social housing methodologies, which generally assume that the properties continue to be let. If the valuation were based upon normal residential use the valuation would be considerably higher. In all cases, registered social landlord collateral is in excess of the loan balance.

Loan to value

Loan to value (LTV) is calculated by weighting the borrower level LTV by the individual loan balance to arrive at an average LTV. This approach is considered to most appropriately reflect the exposure at risk.

12 Risk management and control (continued)

Lending risk (continued)

Loan to value (continued)

The following table shows the loan portfolio by LTV and region, all loans were performing and fully collateralised at the date shown:

Loan balances by LTV and region	England	Scotland	Total	
31 March 2017	£'000	£'000	£'000	%
LTV ratio:				
25% to 50%	11,247	7,831	19,078	4
50% to 75%	340,833	-	340,833	70
75% to 90%	129,686	-	129,686	26
Total loans	481,766	7,831	489,597	100
Geographical concentration	98%	2%	100%	

Loan balances by LTV and region	England	Scotland	Total	
31 March 2016	£'000	£'000	£'000	%
LTV ratio:				
25% to 50%	12,559	2,199	14,758	3
50% to 75%	475,116	8,392	483,508	97
Total loans	487,675	10,591	498,266	100
Geographical concentration	98%	2%	100%	

Credit risk concentrations

All lending is to UK registered social landlords and is only secured on UK properties.

In terms of counterparty concentration, the largest single customer, including undrawn commitments, represents 36% (2016: 36%) of the total book. A total of 5 customers, including undrawn commitments, represent 94% (2016: 95%) of the total book. There has not been a history of arrears on the loans.

Arrears and impairment

As at 31 March 2017 there were no loans past due, impaired or in arrears (2016: £nil).

Financial risk

The principal types of financial risk inherent within the Company's business are liquidity and funding risk and market risk.

Financial risk is managed at a Group level within a framework of approved assets, currencies and capital instruments supported by detailed limits set by either the Board or the Assets and Liabilities Committee (ALCO) under its delegated mandate. The Board retains responsibility for approval of derivative classes that may be used for market risk management purposes, restrictions over the use of such derivative classes (within the limitations imposed under the Building Societies Act, Section 9A) and for asset classes that may be classified as liquidity.

12 Risk management and control (continued)

Financial risk - Liquidity and funding risk

The Company has minimal liquidity and funding risk provided that 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.

For the Group, liquidity risk is the risk that it is unable to meet its liabilities as they fall due and maintain member and stakeholder confidence. Funding risk is the risk that the Group is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.

The Group manages liquidity and funding risks within a comprehensive risk framework which includes its policy, strategy, limit setting and monitoring, stress testing and robust governance controls.

This framework ensures that the Group maintains a stable and diverse funding base and sufficient holdings of high-quality liquid assets. This ensures that there is no significant risk that liabilities cannot be met as they fall due.

Further details of the Group's approach to liquidity and funding risk management are included in the business and risk report of the Group's Annual Report and Accounts.

Residual maturity of financial assets and liabilities

The table below segments the carrying value of financial assets and financial liabilities into relevant maturity groupings based on the contractual maturity date (residual maturity).

At 31 March 2017 – Residual maturity	Due less than one month (note i)	Due between one and three months	Due between three and twelve months	Due between one and five years	Due after more than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Loans and advances to customers	835	523	4,528	22,023	461,688	489,597
Financial liabilities						
Amounts owed to parent undertaking	94,529	551	4,494	75,430	232,139	407,143
Off balance sheet commitments	26,150					26,150
Net liquidity gap	(119,844)	(28)	34	(53,407)	229,549	56,304

12 Risk management and control (continued)

Financial risk - Liquidity and funding risk (continued)

Residual maturity of financial assets and liabilities (continued)

At 31 March 2016 – Residual maturity (note i)	Due less than one month (note ii)	Due between one and three months	Due between three and twelve months	Due between one and five years	Due after more than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
Loans and advances to customers	869	584	2,618	13,863	480,332	498,266
Financial liabilities						
Amounts owed to parent undertaking	81,387	1,662	15,359	69,712	243,980	412,100
Off balance sheet commitments	26,150					26,150
Net liquidity gap	(106,668)	(1,078)	(12,741)	(55,849)	236,352	60,016

Notes:

i. Comparatives have been restated for the reclassification of certain amounts based on contractual instalment repayment dates rather than final maturity dates.

ii. Due less than one month includes amounts repayable on demand.

The balance sheet structure and risks are managed and monitored at a Group level by ALCO. The Group uses judgement and past behavioural performance of each asset and liability class to forecast likely cash flow requirements.

Gross undiscounted contractual cash flows of financial liabilities

The table below provides an analysis of gross contractual cash flows. The totals differ from the analysis of residual maturity as they include interest, accrued at current rates for the average period until maturity, on the balances outstanding at the balance sheet date.

Amounts are allocated to the relevant maturity band based on the timing of individual contractual cash flows.

Gross undiscounted contractual cash flows of financial liabilities

Gross contractual cash flows – 31 March 2017	Due less than one month (note i)	Due between one and three months	Due between three and twelve months	Due between one and five years	Due after more than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due to parent undertaking	94,477	2,538	15,990	127,570	316,497	557,072
Off balance sheet commitments	26,150	-	-	-	-	26,150

12 Risk management and control (continued)

Gross undiscounted contractual cash flows of financial liabilities (continued)

Gross contractual cash flows – 31 March 2016	Due less than one month (note i)	Due between one and three months	Due between three and twelve months	Due between one and five years	Due after more than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due to parent undertaking	82,631	4,347	27,601	126,299	339,670	580,548
Off balance sheet commitments	26,150	-	-	-	-	26,150

Note:
i. Due less than one month includes amounts repayable on demand

Managing liquidity and funding risk

The Company's liquidity and funding is managed at a Group level. The Group's management of liquidity and funding risk aims to ensure that at all times there are sufficient liquid assets, both as to amount and quality, to:

- cover cash flow mismatch and fluctuations in funding
- retain public confidence
- meet financial obligations as they fall due, even during episodes of stress.

This is achieved through the management and stress testing of business cash flows and through the translation of Board risk appetite into appropriate risk limits. This ensures a prudent funding mix and maturity profile, sufficient levels of high quality liquid assets and appropriate encumbrance levels are maintained.

Further details of the Group's liquidity and funding risk monitoring processes are included in the business and risk report of the Group's Annual Report and Accounts.

Financial risk - Market risk

Market risk is the risk that the net value of, or net income arising from, assets and liabilities is impacted because of market price or rate changes, specifically interest rates, currency rates or equity prices.

Interest rate risk

The main market risk faced is interest rate risk. Market movements in interest rates affect the interest rate margin realised from lending and borrowing activities.

Interest rate risk is managed at a Group level. To reduce the impact of market movements, hedging activities are undertaken by the Group's Treasury function. For example, interest rate risks generated by lending to and receiving deposits from customers are offset against each other internally. The remaining net exposure is managed using derivatives, within parameters set by ALCO.

Further details of the Group's interest rate risk monitoring processes are included in the business and risk report of the Group's Annual Report and Accounts.

13 Fair value of financial assets and liabilities measured at amortised cost

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

2017	**Carrying value**	**Fair value based on Level 3**	**Total fair value**
	£'000	**£'000**	**£'000**
Financial assets			
Loans and advances to customers	**489,597**	**418,162**	**418,162**
Financial liabilities			
Amounts owed to parent undertaking	**407,143**	**515,450**	**515,450**

2016	Carrying value	Fair value based on Level 3	Total fair value
	£'000	£'000	£'000
Financial assets			
Loans and advances to customers	498,266	537,803	537,803
Financial liabilities			
Amounts owed to parent undertaking	412,100	521,032	521,032

Loans and advances to customers

In arriving at the fair value of loans and advances to customers, the Company uses modelling techniques consistent with those used by the Group. The estimates take into account expected future cash flows and future lifetime expected losses, based on historic trends and discount rates appropriate to the loans.

Discount rates have been based on the expected funding and capital cost applicable to the book. When calculating fair values on fixed rate loans, no adjustment has been made to reflect interest rate risk management through internal natural hedges or external hedging via derivatives.

Amounts owed to parent undertakings

The estimated fair value of variable term loans owed to parent undertakings is equal to the carrying value of the loans as they are repayable on demand.

The estimated fair values of the fixed term loans owed to parent represent the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

14 Capital management

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

Further details about the Group's capital position can be found in the solvency risk section of the business and risk report in its Annual Report and Accounts.

15 Parent undertaking and ultimate controlling entity

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 results of Nationwide Syndications Limited are included in the consolidated financial statements of Nationwide Building Society.

Nationwide Building Society is registered at Nationwide House, Pipers Way, Swindon, SN38 1NW. The Group's Annual Report and Accounts can be obtained from this address or at **nationwide.co.uk**.