

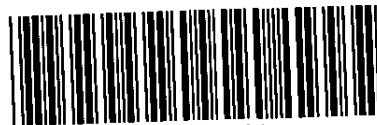
Registered Number: 02537970

**Nationwide Syndications Limited**

**Annual Report and Financial Statements for the year ended  
31 March 2019**

13/8/19  
095  
FES

FRIDAY



\*A8BHLIQ8\*

A07

09/08/2019

#123

COMPANIES HOUSE

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Annual report and financial statements for the year ended 31 March 2019**

---

#### **Contents**

Directors and company information	2
Directors' report for the year ended 31 March 2019	3
Statement of directors' responsibilities	5
Strategic report for the year ended 31 March 2019	6
Independent auditors' report	9
Statement of comprehensive income for the year ended 31 March 2019	12
Balance sheet as at 31 March 2019	13
Statement of changes in equity for the year ended 31 March 2019	14
Notes to the financial statements for the year ended 31 March 2019	15

## **NATIONWIDE SYNDICATIONS LIMITED**

---

### **Directors and company information**

#### **Directors**

A Alexander  
H Billington  
H Leatherland  
M Rennison

#### **Company secretary**

NBS CoSec Limited

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

#### **Registered office**

Nationwide House  
Pipers Way  
Swindon  
SN38 1NW

#### **Registered number**

02537970

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Directors' report for the year ended 31 March 2019**

---

The directors present their annual report and the audited financial statements for the year ended 31 March 2019.

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 lending to new customers 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 £1.4 million (2018: £1.7 million). No dividends were proposed, approved or paid during the year (2018: £nil).

#### **Strategic report, future developments and key performance indicators**

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

#### **Employees**

The Company has no employees (2018: nil).

#### **Environment**

The Company's environmental policy is set at a Group level. The Group remains committed to managing its environmental impacts and its ambition is to look for better, cleaner ways to run its operations.

Further details of the Group's activities can be found in the Strategic report in its Annual Report and Accounts and on Nationwide Building Society's website at [nationwide.co.uk](http://nationwide.co.uk)

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Directors' report for the year ended 31 March 2019 (continued)**

---

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

The Board of directors at the date of approval of the Directors' report is shown on page 2. The directors of the Company who held office during the period were:

A Alexander  
H Billington  
H Leatherland  
M Rennison

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**

V Orme (*resigned 18 January 2019*)  
NBS CoSec Limited (*appointed 18 January 2019*)

#### **Domicile**

The Company is a private company limited by shares. It is incorporated and domiciled in the United Kingdom and is registered in England and Wales. The registered office is Nationwide House, Pipers Way, Swindon, SN38 1NW.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, *financial position and its exposure to risk, are described in the Strategic report.*

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

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Directors' report for the year ended 31 March 2019 (continued)**

#### **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;
- prepare the financial statements on a 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 Group's audit tender process in 2017 resulted in a proposal to appoint, subject to member approval at Nationwide Building Society's 2019 AGM, Ernst & Young LLP as external auditor for the year ending 31 March 2020. Consequently, PricewaterhouseCoopers LLP will not be seeking re-appointment for the year ending 31 March 2020.

#### **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



A Alexander

Director

12 July 2019

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Strategic report for the year ended 31 March 2019**

---

#### **Business review**

The Company recorded a loss before tax for the year of £1.8 million which is broadly aligned to the prior year (2018: £2.0 million).

The retained earnings carried forward are £81.4 million (2018: £82.9 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.

In April 2019, the UK Government and the European Union agreed to delay the UK's departure from the European Union until 31 October 2019 unless a withdrawal agreement is agreed. As the Group's business model is primarily focused in the UK, it has limited direct exposure to the EU. Further details can be found in the Strategic report of the Group's Annual Report and Accounts.

#### **Strategic goals**

Although strategic goals are set at Group level, the Board are aware of the Company's role in supporting the Group's ambition to meet these goals. The key performance indicators in relation to the Group's strategic goals are set out in the Strategic Report in its Annual Report and Accounts which is available on Nationwide Building Society's website, [nationwide.co.uk](http://nationwide.co.uk)

#### **Risk overview**

The Company's risk management policies are set at Group level. The Group has well-established risk management processes to ensure risks are controlled and managed appropriately.

Risks are managed through an enterprise risk management framework (ERMF), which describes the approach to risk management by setting out the minimum standards, and associated processes, for successful risk management, connecting the Group's strategy with day-to-day risk management activities. Whilst the Group has continued to evolve the ERMF in response to best practice and the risk landscape, the approach to risk management remains fundamentally unchanged from last year. Further details of the Group's risk management policies can be found in the Business and Risk Report of the Group's Annual Report and Accounts.

The Group's principal risks are:

- credit risk
- solvency risk
- market risk
- business risk
- liquidity and funding risk
- pension risk
- model risk
- operational risk
- conduct and compliance risk.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Strategic report for the year ended 31 March 2019 (continued)**

---

#### **Risk overview (continued)**

Details of the principal risks that are most relevant to the Company are set out below. For each of these principal risks, a formal statement of appetite for risk defines how much risk the Group's 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.

Further details on principal risks can be found in the Business and Risk Report of the Group's Annual Report and Accounts.

#### **Credit, market, liquidity and funding risk**

Details of credit, market, liquidity and funding risk are included in note 14.

#### **Business risk**

The Group defines business risk as the risk that volumes decline or margins shrink relative to the cost base, affecting the sustainability of the business and the ability to deliver the strategy due to macro-economic, geopolitical, industry, regulatory or other external events. The Group ensures that it can generate sustainable profits by focusing on recurrent sources of income that provide value which is commensurate with risk appetite. The Group monitors this risk as part of ongoing business performance reporting.

#### **Model risk**

The Group defines model risk as the risk of an adverse outcome that occurs as a direct result of weaknesses or failures in the development, implementation or use of a model. The adverse consequences include financial loss, poor business or strategic decision making, or damage to the Company's reputation.

Model risk is established in the Group's ERMF and is managed using limits and triggers set according to risk appetite and is governed and supported by policies, standards and guidelines.

#### **Operational risk**

The Group defines operational risk as the risk of loss resulting from failures of internal processes, people or systems, or from external events. The Group manages operational risk across a number of sub-categories, which include cyber, IT resilience and security, business continuity, payments and fraud.

The Group operates a three lines of defence model to manage its operational risk. 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.



**NATIONWIDE SYNDICATIONS LIMITED**

**Strategic report for the year ended 31 March 2019 (continued)**

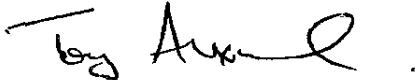
---

**Risk overview (continued)**

**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 customers.

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

A handwritten signature in black ink, appearing to read 'A Alexander', followed by a period.

A Alexander

**Director**

12 July 2019

## **NATIONWIDE SYNDICATIONS LIMITED**

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

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Nationwide Syndications Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements for the year ended 31 March 2019 (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2019; the Statement of comprehensive income; and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

## **NATIONWIDE SYNDICATIONS LIMITED**

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

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### ***Strategic report and Directors' report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

#### **Responsibilities for the financial statements and the audit**

##### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **NATIONWIDE SYNDICATIONS LIMITED**

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

#### **Responsibilities for the financial statements and the audit (continued)**

##### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

##### ***Use of this report***

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.

##### ***Other required reporting***

##### ***Companies Act 2006 exception reporting***

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Laura Needham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
12 July 2019

**NATIONWIDE SYNDICATIONS LIMITED****Statement of comprehensive income for the year ended 31 March 2019**

	Note	2019 £'000	2018 £'000
Interest receivable and similar income	3	13,944	13,811
Interest expense and similar charges	4	(12,379)	(12,542)
<b>Net interest income</b>		<b>1,565</b>	<b>1,269</b>
Fee and commission income	5	48	115
<b>Total income</b>		<b>1,613</b>	<b>1,384</b>
Administrative expenses	6	(3,387)	(3,424)
Impairment reversals on loans and advances to customers	7	2	-
Provisions for liabilities and charges	8	-	-
<b>Loss before tax</b>		<b>(1,772)</b>	<b>(2,040)</b>
Taxation	9	337	388
<b>Loss after tax, being total comprehensive expense for the year</b>		<b>(1,435)</b>	<b>(1,652)</b>

The notes on pages 15 to 35 form part of these financial statements.

**NATIONWIDE SYNDICATIONS LIMITED**

Registered number: 02537970

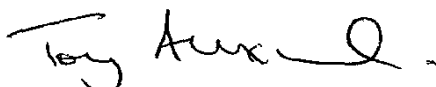
**Balance sheet as at 31 March 2019**

	Note	31 March 2019 £'000	1 April 2018* £'000	31 March 2018 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Loans and advances to customers	11	471,438	474,481	474,536
Deferred tax	9	9	10	-
<b>Current assets</b>				
Loans and advances to customers	11	5,308	8,019	8,020
Group relief		725	1,412	1,412
<b>Total assets</b>		<b>477,480</b>	<b>483,922</b>	<b>483,968</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Amounts owed to parent undertaking	12	183,211	216,919	216,919
<b>Current liabilities</b>				
Amounts owed to parent undertaking	12	212,883	184,193	184,193
Accruals, deferred income and other liabilities		12	-	-
Provisions for liabilities and charges		1	2	-
<b>Total liabilities</b>		<b>396,107</b>	<b>401,114</b>	<b>401,112</b>
<b>Equity</b>				
Share capital	13	-	-	-
Retained earnings		81,373	82,808	82,856
<b>Total equity</b>		<b>81,373</b>	<b>82,808</b>	<b>82,856</b>
<b>Total equity and liabilities</b>		<b>477,480</b>	<b>483,922</b>	<b>483,968</b>

\*Balances at 1 April 2018 have been presented under IFRS 9 as detailed in note 1.

The notes on pages 15 to 35 form part of these financial statements.

The financial statements on pages 12 to 35 were approved by the Board of directors on 12 July 2019 and signed on its behalf by



A Alexander  
Director  
12 July 2019

**NATIONWIDE SYNDICATIONS LIMITED****Statement of changes in equity for the year ended 31 March 2019**

<b>2019</b>	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
At 31 March 2018	-	82,856	82,856
IFRS 9 transition (note i)	-	(48)	(48)
At 1 April 2018	-	82,808	82,808
Loss after tax	-	(1,435)	(1,435)
Total comprehensive expense	-	(1,435)	(1,435)
At 31 March 2019	-	81,373	81,373

<b>2018</b>	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
At 1 April 2017	-	84,508	84,508
Loss after tax	-	(1,652)	(1,652)
Total comprehensive expense	-	(1,652)	(1,652)
At 31 March 2018	-	82,856	82,856

Note:

i. Adjusted on implementation of IFRS 9 as detailed in note 1.

The notes on pages 15 to 35 form part of these financial statements.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019**

---

#### **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, except for changes arising from adoption of new and revised International Financial Reporting Standards (IFRS). 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'; and
- 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.

Further information about judgements in applying accounting policies and critical accounting estimates is provided in note 2.

##### **Adoption of new and revised standards**

The Company has adopted the following standards with effect from 1 April 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'.

Further information on the impacts of adopting these new standards is set out below.



# NATIONWIDE SYNDICATIONS LIMITED

## Notes to the financial statements for the year ended 31 March 2019 (continued)

### 1 Statement of accounting policies (continued)

#### Adoption of new and revised standards (continued)

#### IFRS 9 'Financial Instruments'

The Company has adopted the requirements of IFRS 9 from 1 April 2018. IAS 39 accounting policies that applied prior to 1 April 2018 are included in note 18. The classification and measurement and impairment requirements have been applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no restatement of comparatives. However, to support the understanding of the current year IFRS 9 disclosures, certain comparative balances are shown as at 1 April 2018. These 1 April 2018 comparatives include financial asset balance sheet carrying values that have changed as a result of adopting IFRS 9, and the stage distribution of gross lending and expected credit loss (ECL) provisions. The following table summarises the adjustments to the Company's balance sheet at 1 April 2018.

	As at 31 March 2018 £'000	Classification £'000	Measurement £'000	Impairment £'000	As at 1 April 2018 £'000
<b>Assets</b>					
Loans and advances to customers (note i)	482,556	-	-	(56)	482,500
Deferred tax (note ii)	-	-	-	10	10
Assets not impacted	1,412	-	-	-	1,412
<b>Total assets</b>	<b>483,968</b>	<b>-</b>	<b>-</b>	<b>(46)</b>	<b>483,922</b>
<b>Liabilities</b>					
Provisions for liabilities and charges (note iii)	-	-	-	2	2
Liabilities not impacted	401,112	-	-	-	401,112
<b>Total liabilities</b>	<b>401,112</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>401,114</b>
<b>Equity</b>					
Retained earnings	82,856	-	-	(48)	82,808
Equity not impacted	-	-	-	-	-
<b>Total equity</b>	<b>82,856</b>	<b>-</b>	<b>-</b>	<b>(48)</b>	<b>82,808</b>
<b>Total equity and liabilities</b>	<b>483,968</b>	<b>-</b>	<b>-</b>	<b>(46)</b>	<b>483,922</b>

#### Notes:

- The reduction of the loans and advances to customers due to impairment is the difference between IFRS 9 expected credit loss (ECL) impairment and the IAS 39 incurred loss provisions.
- The valuation of the deferred tax assets recognised on adoption of IFRS 9 reflects legislation that the tax effect of the impact on adoption of IFRS 9 should be realised over the ten years following adoption. Deferred tax is determined using tax rates and laws that are expected to apply in the period when the deferred tax asset is realised based on rates enacted or substantively enacted at the balance sheet date.
- An additional £2 thousand has been provided separately within provisions for liabilities and charges. This relates to provisions against separately identifiable irrevocable commitments for commercial lending.

**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2019 (continued)****1 Statement of accounting policies (continued)****Adoption of new and revised standards (continued)**

The table below reconciles the opening IFRS 9 ECL provision to the increase in provision on the adoption of IFRS 9 on 1 April 2018:

<b>Reconciliation of impairment provisions within staging bands</b>						
	12 month ECL Stage 1	Lifetime ECL – non credit impaired Stage 2	Lifetime ECL – credit impaired Stage 3	Total ECL	Less IAS 39 provisions	Increase in provision on adoption of IFRS 9
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Commercial lending</i>	56	-	-	56	-	56

**IFRS 15 'Revenue from Contracts with Customers'**

The Company has applied IFRS 15 'Revenue from Contracts with Customers' from 1 April 2018. The standard applies to all contracts with customers but does not apply to financial instruments, lease contracts or non-monetary exchanges. IFRS 15 has introduced a principles-based approach for revenue recognition, with revenue being recognised as the related obligations are satisfied.

The Company has assessed revenue streams within the scope of IFRS 15 and concluded that the timing of revenue recognition is unchanged under the new standard. There is therefore no transitional impact from adopting this standard.

**a) Interest receivable and interest expense**

For instruments measured at amortised cost, the effective interest rate (EIR) 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 over 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.

Interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets. For credit impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. net of the allowance for expected credit losses (ECLs)). Where loans are credit impaired on origination, or when purchased from third parties, the carrying amount at initial recognition is net of the lifetime ECL at that date. For these assets the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

---

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

##### **b) Fees and commissions**

Fees and commission income and expense includes fees other than those that are an integral part of EIR. Fees and commissions are either:

- transaction-based and therefore recognised when the performance obligation related to the transaction is fulfilled, or
- related to the provision of services over a period of time and therefore recognised on a systematic basis over the life of the agreement as services are provided.

##### **c) Segmental reporting**

The Company has one reportable segment. No segmental analysis is required on geographical lines as substantially all the Company's business activities are in the United Kingdom.

##### **d) Taxation including deferred tax**

Current tax payable on profits is recognised as an expense in the period in which profits arise.

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 profits 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.

##### **e) Financial assets**

Financial assets comprise loans and advances to customers.

##### **Recognition and derecognition**

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

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

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

##### **e) Financial assets (continued)**

The fair value of a financial instrument on initial recognition is normally the transaction price (plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss). On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. Any difference between the fair value at initial recognition and the transaction price is recognised immediately as a gain or loss in the income statement where the fair value is based on a quoted price in an active market or a valuation using only observable market data. In all other cases, any gain or loss is deferred and recognised over the life of the transaction, or until valuation inputs become observable.

##### **Modification of contractual terms**

An instrument that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms (such as renegotiations of commercial loans). Commercial loans reaching the end of a fixed interest deal period are deemed repricing events, rather than a modification of contractual terms, as the change in interest rate at the end of the fixed rate period was envisaged in the original loan contract.

Where an instrument is renegotiated and not derecognised (for example forbearance), the change is considered a modification of contractual terms. Where this arises, the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the loan's original effective interest rate. Any gain or loss on recalculation is recognised immediately in the income statement.

##### **Classification and measurement**

The classification and subsequent measurement of financial assets is based on an assessment of the Company's business models for managing the assets and their contractual cash flow characteristics. All of the Company's financial assets are held at amortised cost.

##### **Amortised cost**

Financial assets held to collect contractual cash flows and where contractual terms comprise solely payments of principal and interest (SPPI) are classified as amortised cost. This category of financial assets includes commercial mortgage loans.

Financial assets within this category are recognised on either the receipt of cash or deposit of funds into one of the Company's bank accounts (for cash), or when the funds are advanced to borrowers (for commercial mortgage loans). After initial recognition, the assets are measured at amortised cost using the effective interest rate method, less provisions for expected credit losses.

##### **f) Impairment of financial assets**

Financial assets within the scope of IFRS 9 expected credit loss (ECL) requirements comprise all financial debt instruments measured at amortised cost. These include loans and advances to customers. Also within scope are irrevocable undrawn commitments to lend.

The ECL represents the present value of expected cash shortfalls following the default of a financial instrument or undrawn commitment. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Company expects to receive.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

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

##### **f) Impairment of financial assets (continued)**

The allowance for ECLs is based on an assessment of the probability of default, exposure at default and loss given default, discounted at the effective interest rate to give a net present value. The estimation of ECLs is unbiased and probability weighted, taking into account all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes. ECLs are typically calculated from initial recognition of the financial asset for the maximum contractual period that the Company is exposed to the credit risk.

For financial assets recognised in the balance sheet at amortised cost, the allowance for ECLs is offset against the gross carrying value so that the amount presented in the balance sheet is net of impairment provisions. For separately identifiable irrevocable loan commitments, where the related financial asset has not yet been advanced, the provision is presented in provisions for liabilities and charges in the balance sheet.

##### **Forward looking economic inputs**

ECLs are calculated by reference to information on past events, current conditions and forecasts of future economic conditions. Multiple economic scenarios are incorporated into ECL calculation models. These scenarios are based on external sources where available and appropriate, and internally generated assumptions in all other cases. To capture any non-linear relationship between economic assumptions and credit losses, a minimum of three scenarios is used. This includes a central scenario which reflects the Company's view of the most likely future economic conditions, together with an upside and a downside scenario representing alternative plausible views of economic conditions, weighted based on management's view of their probability.

##### **Credit risk categorisation**

For the purpose of calculating ECLs, assets are categorised into three 'stages' as follows:

###### *Stage 1: no significant increase in credit risk since initial recognition*

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months. Expected credit losses for these stage 1 assets continue to be recognised on this basis unless there is a significant increase in the credit risk of the asset.

###### *Stage 2: significant increase in credit risk*

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument.

Whether a significant increase in credit risk has occurred is ascertained by comparing the probability of default at the reporting date to the probability of default at origination, and is made based on quantitative and qualitative factors. Quantitative considerations take into account changes in the residual lifetime probability of default (PD) of the asset. As a backstop, all assets with an arrears status of more than 30 days past due on contractual payments are considered to be in stage 2.

Qualitative factors that may indicate a significant change in credit risk include concession events that still envisage full repayment of principal and interest, on a discounted basis.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

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

##### **f) Impairment of financial assets (continued)**

###### *Stage 3: credit impaired (or defaulted) loans*

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit impaired when:

- contractual payments of either principal or interest are past due by more than 90 days;
- there are other indications that the borrower is unlikely to pay such as signs of financial difficulty, probable bankruptcy, breaches of contract and concession events which have a detrimental impact on the present value of future cashflows; or
- the loan is otherwise considered to be in default.

Interest income on stage 3 credit impaired loans is recognised in the income statement on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets, and continues to increase over time with the contractually accrued interest.

##### **Transfers between stages**

Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above.

For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met. For loans subject to concession events such as forbearance, accounts are transferred back to stage 1 or 2 only after being up to date for a period of 12 months.

##### **Write-off**

Loans remain on the balance sheet net of associated provisions until they are deemed to have no reasonable expectations of recovery. Loans are generally written off after realisation of any proceeds from collateral and upon conclusion of the collections process, including consideration of whether an account has reached a point where continuing attempts to recover are no longer likely to be successful. 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 value of impairment losses recorded in the income statement.

##### **g) 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.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

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

##### **h) Fair value of financial assets and liabilities**

IFRS 13 'Fair Value Measurement' 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.

##### **i) 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**

The preparation of the Company's financial statements involves management making judgements and estimates when applying those accounting policies that affect the reported amounts of assets, liabilities, income and expense. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The most significant sources of estimation uncertainty made by management in applying the Company's accounting policies, which are deemed critical to the Company's results and financial position, are disclosed in note 7. These accounting estimates include areas of significant judgement.

#### **3 Interest receivable and similar income**

Interest receivable and similar income of £13,944 thousand (2018: £13,811 thousand) relates to interest receivable on commercial lending and is calculated using the effective interest rate method.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

#### **4 Interest expense and similar charges**

Interest expense and similar charges of £12,379 thousand (2018: £12,542 thousand) relates to interest payable on amounts owed to parent undertaking.

#### **5 Fees and commission income**

Fees and commission income of £48 thousand (2018: £115 thousand) relates to charges on loans and advances to customers.

#### **6 Administrative expenses**

Administrative expenses of £3,387 thousand (2018: £3,424 thousand) relate to amounts recharged from the parent undertaking.

Auditors' remuneration, relating solely to the statutory audit of these financial statements was £26 thousand (2018: £25 thousand) and borne by the parent undertaking.

The Company has no employees (2018: nil). Administration of the Company's loans are carried out by staff who are employed by Nationwide Building Society.

The Directors' contracts of service are with Nationwide Building Society 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.

There were no loans to related parties secured on properties as at 31 March 2019 (2018: £nil).

#### **7 Impairment reversals and provisions on loans and advances to customers**

Impairment reversals of £2 thousand (2018: £nil) were recognised in the year.

The impairment provision at the end of the period was £54 thousand (1 April 2018: £56 thousand, 31 March 2018: £nil).

#### **Critical accounting estimates and judgements**

Impairment is measured as the impact of credit risk on the present value of management's estimate of future cash flows. In determining the required level of impairment provisions, the Company uses outputs from statistical models, incorporating a number of estimates and judgements to determine the Probability of Default (PD), the Exposure at Default, and the Loss Given Default for each loan. The most significant areas of estimation uncertainty is:

- the use of forward-looking information.

The most significant area of judgement is:

- the approach to identifying significant increases in credit risk and impairment.



**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2019 (continued)****7 Impairment losses and provisions on loans and advances to customers (continued)**

The Company has a long history of zero defaults and the risk profile of the portfolio remains low. Consequently the portfolio, which is all classified as stage 1, is not sensitive to movements in the economic variables used to evaluate ECLs.

**8 Provisions for liabilities and charges**

Provisions for liabilities and charges comprise expected credit losses on irrevocable commercial lending commitments.

**9 Taxation**

<b>Tax credit in the statement of comprehensive income</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Current tax:		
Group relief receivable	(338)	(388)
<b>Total current tax credit</b>	<b>(338)</b>	<b>(388)</b>
Deferred tax:		
Current year	1	-
<b>Total deferred taxation</b>	<b>1</b>	<b>-</b>
<b>Tax credit</b>	<b>(337)</b>	<b>(388)</b>

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

<b>Reconciliation of tax credit</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss before tax</b>	<b>(1,772)</b>	<b>(2,040)</b>
<b>Tax credit calculated at a rate of 19%</b>	<b>(337)</b>	<b>(388)</b>
<b>Tax credit</b>	<b>(337)</b>	<b>(388)</b>

**Deferred taxation**

Deferred tax is determined using tax rates and laws that are expected to apply in the period when the deferred tax asset is realised or deferred tax liability is settled based on rates enacted or substantively enacted at the balance sheet date.

The Finance (No. 2) Act 2015 reduced the corporation tax rate from 20% to 19% with effect from 1 April 2017. The Finance Act 2016 was enacted on 15 September 2016, and reduces the corporation tax rate from 19% to 17% from 1 April 2020.

## NATIONWIDE SYNDICATIONS LIMITED

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 9 Taxation (continued)

##### Deferred taxation (continued)

The movements on the deferred tax account, including the deferred tax charge in the statement of comprehensive income are as follows:

Movements in deferred taxation	2019 £'000	2018 £'000
At 31 March 2018	-	-
IFRS 9 transition (note i)	10	-
At 1 April	10	-
<b>Deferred tax charge in the statement of comprehensive income:</b>		
Transitional adjustments on adoption of IFRS 9	(1)	-
<b>At 31 March</b>	<b>9</b>	<b>-</b>

Note:

i. Adjusted on implementation of IFRS 9 as detailed in note 1.

Deferred tax assets are attributable to the following items:

Deferred tax assets	2019 £'000	2018 £'000
Transitional adjustments on adoption of IFRS 9	9	-

The majority of deferred tax assets are anticipated to be recoverable in more than one year. The Company considers that there will be sufficient future trading profits in excess of profits arising from the reversal of existing taxable temporary differences to utilise the deferred tax assets.

#### 10 Dividends

No dividends were proposed, approved or paid during the year (2018: £nil).

#### 11 Loans and advances to customers

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

	31 March 2019 £'000	1 April 2018 (note i) £'000	31 March 2018 £'000
Gross balances	476,800	482,556	482,556
Provisions	(54)	(56)	-
<b>Total</b>	<b>476,746</b>	<b>482,500</b>	<b>482,556</b>

Note:

i. 1 April 2018 balances are presented under IFRS 9. Adjustments made on transition to IFRS 9 are detailed in note 1.

##### Movements in gross balances and impairment provisions

All balances are in stage 1 (1 April 2018: stage 1) and there have been no transfers between stages throughout the year. Gross balances have declined to £477 million (1 April 2018: £483 million) and provisions have decreased to £54 thousand (1 April 2018: £56 thousand) due to redemptions. The income statement release for the year was £2 thousand.

# NATIONWIDE SYNDICATIONS LIMITED

## Notes to the financial statements for the year ended 31 March 2019 (continued)

### 11 Loans and advances to customers (continued)

#### Maturity analysis

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

	31 March 2019 £'000	1 April 2018 (note i) £'000	31 March 2018 £'000
<b>Repayable:</b>			
In not more than three months	1,576	3,059	3,059
In more than three months but not more than one year	3,733	4,961	4,961
In more than one year but not more than five years	20,289	24,666	24,666
In more than five years	451,202	449,870	449,870
	476,800	482,556	482,556
<b>Impairment provision (note 7)</b>	(54)	(56)	-
<b>Total</b>	<b>476,746</b>	<b>482,500</b>	<b>482,556</b>

Note:

i. 1 April 2018 balances are presented under IFRS 9. Adjustments made on transition to IFRS 9 are detailed in note 1.

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.

### 12 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:

	2019 £'000	2018 £'000
In not more than three months	187,807	184,193
In more than three months but not more than one year	25,076	-
In more than one year but not more than five years	12,002	41,855
In more than five years	171,209	175,064
<b>Total</b>	<b>396,094</b>	<b>401,112</b>

The amounts owed to parent undertaking comprise two elements. Firstly, 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 loans and secondly variable interest rate funding that 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.

**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2019 (continued)****13 Share capital**

	2019	2018
	£	£
<b>Authorised, issued and fully paid:</b>		
2 (2018: 2) Ordinary shares of £1 each	2	2

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

**14 Risk management****Credit risk**

Credit risk is the risk of loss as a result of a member, customer or counterparty failing to meet their financial obligations. Credit risk encompasses borrower/counterparty risk, security/collateral risk, concentration risk and refinance risk.

**Management of credit risk**

Details of the Group's approach to credit risk management are included in the Business and Risk Report of the Group's Annual Report and Accounts.

**Maximum exposure to credit risk**

Credit risk arises from the Company's exposure to loans and advances to customers.

The Company's portfolio is comprised of loans and advances to registered social landlords which are 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.

The maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment. For loan commitments the maximum exposure is the full amount of the committed facilities.

Maximum exposure to credit risk 31 March 2019	Gross balance £'000	Less: Impairment provisions £'000	Carrying value £'000	Commitments £'000	Maximum credit risk exposure £'000	% of total credit risk exposure
Loans and advances to customers	476,800	(54)	476,746	11,750	488,496	100

# **NATIONWIDE SYNDICATIONS LIMITED**

## **Notes to the financial statements for the year ended 31 March 2019 (continued)**

### **14 Risk management (continued)**

#### **Credit risk (continued)**

##### **Maximum exposure to credit risk (continued)**

Maximum exposure to credit risk 1 April 2018 (note i)	Gross balance £'000	Less: Impairment provisions £'000	Carrying value £'000	Commitments £'000	Maximum credit risk exposure £'000	% of total credit risk exposure
Loans and advances to customers	482,556	(56)	482,500	26,150	508,650	100

Maximum exposure to credit risk 31 March 2018	Gross balance £'000	Less: Impairment provisions £'000	Carrying value £'000	Commitments £'000	Maximum credit risk exposure £'000	% of total credit risk exposure
Loans and advances to customers	482,556	-	482,556	26,150	508,706	100

Note:

i. Balances presented under IFRS 9 as detailed in note 1.

#### **Commitments**

Irrevocable undrawn commitments to lend are within the scope of IFRS 9 provision requirements. The commitments in the table above consist of separately identifiable irrevocable commitments for the commercial loans. These commitments are not recognised on the balance sheet, and the total associated provision of £1 thousand (1 April 2018: £2 thousand) is included within provisions for liabilities and charges.

#### **Staging analysis**

All assets are in stage 1 (1 April 2018: 100%) and against a backdrop of a long history of zero defaults, the risk profile of the portfolio remains low.

Provisions of £54 thousand represent 0.01% of the asset balance (1 April 2018: 0.01%).

#### **Loan to value and credit risk concentration**

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% (2018: 35%) of the total book. A total of 5 customers, including undrawn commitments, represent 98% (2018: 96%) of the total book. There has not been a history of arrears on the loans.

**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2019 (continued)****14 Risk management (continued)****Geographical concentration**

The following table shows the loan portfolio by LTV and region:

<b>Loan balances by LTV and region 31 March 2019</b>	<b>England £'000</b>	<b>Scotland £'000</b>	<b>Total £'000</b>	<b>%</b>
LTV ratio:				
0% to 25%	-	-	-	-
25% to 50%	55,592	6,541	62,133	13
50% to 75%	414,667	-	414,667	87
<b>Total loans</b>	<b>470,259</b>	<b>6,541</b>	<b>476,800</b>	<b>100</b>
<b>Total geographical concentration</b>	<b>99%</b>	<b>1%</b>	<b>100%</b>	

<b>Loan balances by LTV and region 1 April 2018 (note i)</b>	<b>England £'000</b>	<b>Scotland £'000</b>	<b>Total £'000</b>	<b>%</b>
LTV ratio:				
0% to 25%	9,833	-	9,833	2
25% to 50%	-	-	-	-
50% to 75%	465,567	7,156	472,723	98
<b>Total loans</b>	<b>475,400</b>	<b>7,156</b>	<b>482,556</b>	<b>100</b>
<b>Total geographical concentration</b>	<b>99%</b>	<b>1%</b>	<b>100%</b>	

Note:

i. The distribution of the portfolio by geography, and LTV ratios at 31 March 2018 is the same as that disclosed for 1 April 2018.

**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.

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.

# NATIONWIDE SYNDICATIONS LIMITED

## Notes to the financial statements for the year ended 31 March 2019 (continued)

### 14 Risk management (continued)

#### 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).

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
31 March 2019	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>						
Loans and advances to customers	1,339	236	3,733	20,287	451,151	476,746
<b>Financial liabilities</b>						
Amounts owed to parent undertaking	187,807	-	25,076	12,002	171,209	396,094
Off balance sheet commitments (note ii)	11,750	-	-	-	-	11,750
Net liquidity difference	(198,218)	236	(21,343)	8,285	279,942	68,902
31 March 2018	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>						
Loans and advances to customers	2,518	541	4,961	24,666	449,870	482,556
<b>Financial liabilities</b>						
Amounts owed to parent undertaking	179,188	5,005	-	41,855	175,064	401,112
Off balance sheet commitments (note ii)	26,150	-	-	-	-	26,150
Net liquidity difference	(202,820)	(4,464)	4,961	(17,189)	274,806	55,294

#### Notes:

- Due less than one month includes amounts repayable on demand.
- Off-balance sheet commitments include amounts payable on demand for unrecognised loan commitments.

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

## NATIONWIDE SYNDICATIONS LIMITED

### Notes to the financial statements for the year ended 31 March 2019 (continued)

#### 14 Risk management (continued)

##### Gross undiscounted contractual cash flows of financial liabilities

The tables below provide an analysis of gross contractual cash flows. The totals differ from the analysis of residual maturity as they include estimated future interest payments, calculated using balances outstanding at the balance sheet date, contractual maturities and appropriate forward looking interest rates.

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

Gross contractual cash flows	Due less than one month (note i) £'000	Due between one and three months £'000	Due between three and twelve months £'000	Due between one and five years £'000	Due after more than five years £'000	Total £'000
<b>31 March 2019</b>						
Amounts due to parent undertaking	189,636	1,575	27,024	43,598	214,663	476,496
Off balance sheet commitments (note ii)	11,750	-	-	-	-	11,750
Gross contractual cash flows	Due less than one month (note i) £'000	Due between one and three months £'000	Due between three and twelve months £'000	Due between one and five years £'000	Due after more than five years £'000	Total £'000
<b>31 March 2018</b>						
Amounts due to parent undertaking	181,121	6,820	7,976	78,784	237,627	512,328
Off balance sheet commitments (note ii)	26,150	-	-	-	-	26,150

#### Notes:

- i. Due less than one month includes amounts repayable on demand
- ii. Off-balance sheet commitments include amounts payable on demand for unrecognised loan commitments.

#### Market risk

Market risk is the risk that the net value of, or net income arising from, assets and liabilities is impacted as a result of changes in market prices or rates, 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.



**NATIONWIDE SYNDICATIONS LIMITED****Notes to the financial statements for the year ended 31 March 2019 (continued)****- 15 Fair value of financial assets and liabilities measured at amortised cost**

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

<b>Fair value of financial assets and liabilities measured at amortised cost</b>	<b>Carrying value</b>	<b>Fair value based on Level 3</b>	<b>Total fair value</b>
<b>31 March 2019</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial assets			
Loans and advances to customers	476,746	475,307	475,307
Financial liabilities			
Amounts owed to parent undertaking	396,094	462,380	462,380
	Carrying value	Fair value based on Level 3	Total fair value
<b>31 March 2018</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial assets			
Loans and advances to customers	482,556	420,959	420,959
Financial liabilities			
Amounts owed to parent undertaking	401,112	469,304	469,304

**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, to reflect a hypothetical exit price value on an asset by asset basis.

**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.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

#### **16 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.

#### **17 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 a building society incorporated and registered in England and Wales.

The results of Nationwide Syndications Limited are included in the consolidated financial statements of Nationwide Building Society which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

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](http://nationwide.co.uk)

#### **18 IAS 39 accounting policies applied for comparative periods**

##### **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.

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.

##### **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.

## **NATIONWIDE SYNDICATIONS LIMITED**

### **Notes to the financial statements for the year ended 31 March 2019 (continued)**

#### **18 IAS 39 accounting policies applied for comparative periods (continued)**

##### **Impairment of financial assets (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. 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.

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.

**NATIONWIDE SYNDICATIONS LIMITED**

**Notes to the financial statements for the year ended 31 March 2019 (continued)**

---

**18 IAS 39 accounting policies applied for comparative periods (continued)**

**Impairment of financial assets (continued)**

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').