

Registered number: SC113202

Dunfermline BS Nominees Limited

Annual Report and Financial Statements
for the year ended 31 March 2010

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DUNFERMLINE BS NOMINEES LIMITED**Annual report and financial statements for the year ended 31 March 2010**

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DUNFERMLINE BS NOMINEES LIMITED

Directors and auditors**Directors**

James H Willens (resigned 6 July 2009)
James J M Faulds (resigned 6 July 2009)
David J Rigney (appointed 6 July 2009, resigned 21 July 2010)
Timothy R Plummer (appointed 6 July 2009)
John N Tibbles (appointed 6 July 2009)
Alison Robb (appointed 21 July 2010)

Secretary

Julie E Morris (resigned 6 July 2009)
Julyan Paul (appointed 6 July 2009)

Independent Auditors

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

Registered Office

Caledonia House
Carnegie Avenue
DUNFERMLINE
KY11 8PJ

Registered Number

SC113202

DUNFERMLINE BS NOMINEES LIMITED

Directors report for the year ended 31 March 2010

The directors have pleasure in presenting their report and audited financial statements of the Company for the year ended 31 March 2010.

As set out in the Statement of Accounting Policies, the Annual Report and financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. This is the first set of financial statements prepared by the Company in accordance with IFRS.

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

Business objectives, review and principal activities

Dunfermline BS Nominees Limited ("the Company") is a wholly owned subsidiary of Nationwide Building Society ("the Group").

The principal activity of Dunfermline BS Nominees Limited ("the Company") is the management of property. The Company leases its principal asset, Caledonia House, to its parent. The duration of the lease which commenced in 1994 is 25 years at an annual rent of £450,000. Rent reviews are carried out at 5 yearly intervals, the last review being on 28 August 2009. The Company has a 999 year ground lease in relation to Carnegie Campus upon which Caledonia House resides. There are no reviews on this lease which has an annual rent of £1.

On 30 March 2009, the core parts of Dunfermline Building Society, the former parent undertaking, were acquired by Nationwide Building Society resulting in the Company being a wholly owned subsidiary of the Nationwide Building Society. Accordingly, the Company changed its accounting reference date to 31 March 2009.

Key Performance Indicators

As the Company is a part of the Nationwide Group and given the straightforward nature of the Company's business, the Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Results and Dividends

The directors deem the results for the year to be satisfactory. The profit after tax for the year ended 31 March 2010 is £397,865 (15 month period ended 31 March 2009: £88,000 loss) following the revaluation of the head office complex.

Total dividends proposed and paid during the year amounted to £nil (2009: £nil).

Risk management and Control

As a wholly owned subsidiary of Nationwide Building Society during the year, the principal risks and uncertainties and financial risk management objectives and policies are managed by the Group as a whole. Full disclosure of the Group's principal risks and uncertainties and financial risk management is made in the Nationwide Building Society Annual Report.

DUNFERMLINE BS NOMINEES LIMITED

Directors report for the year ended 31 March 2010

Directors and directors' interests

The present Board of Directors is shown on page 2.

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

Going Concern

The Company is fully funded by its parent, Nationwide Building Society, and the parent will continue to fund the Company's activities for the foreseeable future. Taking this into account, the directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Domicile

The Company is limited by shares which is registered and domiciled in Scotland. The Registered office is Caledonia House, Carnegie Avenue, Dunfermline KY11 8PJ.

Employees

The Company has no employees; all are employed by the ultimate parent undertaking, Nationwide Building Society.

Creditor payment policy

The Company's policy is to agree the terms of payment with suppliers at the start of trading, ensuring suppliers are aware of the terms of payment and pay in accordance with its contractual and other obligations. The Company's policy is to settle the supplier's invoice for the complete provision of goods and services (unless there is an express provision for stage payments), when in full conformity with the terms and conditions of the purchase, within the agreed payment terms.

Environment

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

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

Independent Auditors

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

DUNFERMLINE BS NOMINEES LIMITED

Directors report for the year ended 31 March 2010**Directors' indemnities**

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

DUNFERMLINE BS NOMINEES LIMITED

Directors report for the year ended 31 March 2010

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that the financial statements comply with IFRSs as adopted by the European Union.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Section 418, for each director in office at the date the Directors' Report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board

Alison Robb

Director ALISON ROBB

Date 14 December 2010

We have audited the financial statements of Dunfermline BS Nominees Limited for the year ended 31 March 2010 which comprise the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

DUNFERMLINE BS NOMINEES LIMITED

Independent auditors' report to the members of Dunfermline BS Nominees Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



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

[Date] 14 DECEMBER 2010.

DUNFERMLINE BS NOMINEES LIMITED**Statement of comprehensive income statement for the year ended 31 March 2010**

	Notes	Year ending 31 March 2010 £'000	15 month period 31 March 2009 £'000
Revenue		450	563
Operating profit		450	563
Increase/ (decrease) in fair value of investment properties		120	(690)
Interest (payable)/ receivable and similar income		(18)	3
Profit/ (loss) on ordinary activities before tax		552	(124)
Tax on profit/ (loss) on ordinary activities	6	(154)	36
Profit/ (loss) for the year /period		398	(88)
Comprehensive profit/ (loss) for the year/ period		398	(88)

The results shown above are derived wholly from continuing activities within the UK.

The notes on pages 13 to 26 form part of these financial statements.

DUNFERMLINE BS NOMINEES LIMITED**Balance sheet as at 31 March 2010**

ASSETS	Notes	2010 £'000	2009 £'000
Current assets			
Cash & cash equivalents		1	-
Trade & other receivables		38	38
Non current assets			
Investment properties	7	4,730	4,610
Deferred tax	8	443	477
Total Assets		5,212	5,125
LIABILITIES			
Current Liabilities			
Amounts owed to group undertakings	9	2,476	2,688
Current tax	9	58	158
Group relief	9	1	-
Total Liabilities		2,535	2,846
EQUITY			
Capital and reserves			
Share capital	10	-	-
Retained earnings	11	2,677	2,279
Total equity and liabilities		5,212	5,125

The notes on pages 13 to 26 form part of these financial statements.

The financial statements were approved by the board of directors on 14 December 2010.

Signed on behalf of the board of directors

Alison Robb

Director ALISON ROBB

DUNFERMLINE BS NOMINEES LIMITED**Cash flow statement for the year ended 31 March 2010**

	Notes	Year ending 31 March 2010 £'000	15 month period 31 March 2009 £'000
Cash flow from operating activities			
Profit/ (loss) before tax		552	(124)
Adjustments for:			
Revaluation		(120)	690
Group relief		1	-
Increase in debtors		-	(38)
Decrease in creditors		-	(75)
Cash generated from operations		433	453
Tax paid		(220)	(137)
Net cash used in operating activities		213	316
Cash flow from financing activities			
Amounts owed to parent undertaking		(212)	(316)
Net increase in cash		1	-
Cash and cash equivalents at the start of the year/ period		-	-
Cash and cash equivalents at end of the year/ period		1	-

The notes on pages 13 to 26 form part of these financial statements.

DUNFERMLINE BS NOMINEES LIMITED**Statement of changes to equity for the year ended 31 March 2010**

	Year ended 31 March 2010			15 month period 31 March 2009		
	Share capital £'000	Retained earnings £'000	Total £'000	Share capital £'000	Retained earnings £'000	Total £'000
Balance at beginning of year/ period	-	2,279	2,279	-	2,367	2,367
Total comprehensive profit/ (loss) for the year/ period	-	398	398	-	(88)	(88)
Balance at end of year/ period	-	2,677	2,677	-	2,279	2,279

DUNFERMLINE BS NOMINEES LIMITED

Notes to the accounts for the year ended 31 March 2010

1 Statement of accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union and with those parts of the Companies Act 2006 applicable to organisations reporting under IFRS.

The financial statements have been prepared under the historical cost convention. A summary of the significant accounting policies is set out below.

First time adoption of IFRS

These financial statements are the first prepared by the Company in accordance with IFRS.

The date of transition to IFRS was 1 January 2008, which is the beginning of the comparative period for the fifteen month period ended 31 March 2009. The impact of changes from UK Generally Accepted Accounting Principles (UK GAAP) is summarised in note 16. The Company has applied IFRS 1 for the first time adoption of IFRS.

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 reporting period. 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.

Changes in accounting policy

The following IFRS and IFRIC pronouncements, relevant to the Company, have been adopted:

- IFRS 7 "Improving disclosures about financial instruments": The amendment clarifies and enhances disclosures concerning fair value measurement and the liquidity risk of financial instruments. The amendment has resulted in enhanced disclosures regarding fair value measurement.
- IAS 1 "Presentation of financial statements": Adoption of the revised standard has amended the presentation of the financial statements. The effect has been to replace the statements of recognised income and expense and movements in reserves with a statement of comprehensive income and a statement of changes in equity. There has been no change to the recognition, measurement, or disclosure of transactions and events resulting from the adoption of the revised IAS 1.
- 'Improvements to IFRSs' (May 2008): The pronouncement includes several small amendments which have had no significant impact for the Company.

DUNFERMLINE BS NOMINEES LIMITED**Notes to the accounts for the year ended 31 March 2010****1 Statement of accounting policies (continued)****Future accounting developments**

The following pronouncements will be relevant to the Company but were not effective at 31 March 2010 and have not been applied in preparing these financial statements. The full impact of these accounting changes is being assessed by the Company; however, the initial view is that these pronouncements are not expected to cause any significant impact on the Company accounts other than as noted in the following tables.

The following pronouncements have been adopted by the European Union (EU) but are not yet effective:

Pronouncement	Nature of change	Effective date
IAS 27 (Revised) - Consolidated and separate financial statements	The amendment requires the effects of all transactions with non controlling interests to be recorded in equity if there has been no change in control. It also specifies the accounting when control is lost. The amendment has no impact for the Company.	Accounting periods (AP) beginning on or after 1 July 2009
IAS 39 & IFRIC 9 Eligible Hedged Items (July 2008)	The amendment clarifies how existing principles underlying hedge accounting should be applied in two particular situations: a) one sided risk in a hedged item, and; b) inflation in a financial hedged item. The amendment has no significant impact for the Company.	AP beginning on or after 1 July 2009
IFRIC 14 Prepayments of a minimum funding requirement	The amendment applies when an entity makes an early payment of minimum funding requirements. The amendment permits such an entity to treat the benefit of an early payment as an asset. The amendment is currently not relevant to the Company.	AP beginning on or after 1 January 2011.
Improvements to IFRSs (April 2009)	Several small amendments with no significant impact for the Company.	Varies, mainly Accounting Periods (AP) beginning on or after 1 January 2010

DUNFERMLINE BS NOMINEES LIMITED**Notes to the accounts for the year ended 31 March 2010****1 Statement of accounting policies (continued)**

The following pronouncements are neither adopted by the EU nor effective for this financial year:

Pronouncement	Nature of change	Effective date
IFRS 9 Financial Instruments - Classification and Measurement	The new standard addresses phase 1 of the IASB's project to replace IAS 39, Financial Instruments and requires Financial Assets to be classified as amortised cost or at fair value. The available for sale (AFS) category currently used by Nationwide will not be available. Phase 1 will have a significant impact on the classification and measurement of financial assets for the Group. Early adoption is permitted. The impact of IFRS 9 on the Group and the Company is currently being considered.	AP beginning on or after 1 January 2013.

a) Revenue

Revenue is attributable to rents receivable net of value added tax. Revenue is recognised on an accruals basis as services are provided.

b) Investment properties

Investment properties, which comprise of properties held for rental, are stated at fair value. The properties are revalued annually by independent surveyors supported by market evidence. Changes in fair value are included in the income statement.

Upon adoption of IFRS, the Company has chosen to apply IAS 40. Under UK GAAP properties were previously treated as fixed assets subject to impairment as property occupied by its parent or another subsidiary could not be treated as an investment property. Further information is included in note 16.

Depreciation is not charged on investment properties.

DUNFERMLINE BS NOMINEES LIMITED

Notes to the accounts for the year ended 31 March 2010

1 Statement of accounting policies (continued)

c) Interest receivable and interest expense

For instruments measured at amortised cost the effective interest rate (EIR) method is used. The 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. Interest is due on the outstanding loan with the Company's parent (Nationwide Building Society) and is calculated monthly and capitalised on the balance sheet against the loan. The interest charged is treated as an expense in the statement of comprehensive income.

d) Taxation including deferred tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax is realised or settled.

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

e) Cash and cash equivalents

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

f) Segmental reporting

A business segment is defined as a group of assets and operations providing products and services that are subject to different risks and returns from those of other business segments. The Company considers that business segments are its primary reporting format for segmental analysis. Business segments are based on the Company's management and internal reporting structures. The Company has only one business segment, and therefore no segmental analysis is required to be presented.

No segmental analysis is presented on geographical lines because all of the Company's activities are in the United Kingdom

g) Share capital

Ordinary shares are classified as equity.

DUNFERMLINE BS NOMINEES LIMITED

Notes to the accounts for the year ended 31 March 2010

2 Judgements in applying accounting policies and critical accounting estimates

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

Valuation of investment properties

Investment Properties are re-valued annually by independent surveyors supported by market evidence. Changes in the assumptions used in the valuation models could affect the reported fair value of the Investment Properties.

The key assumption in forming the valuation is based on market value of the leasehold interest as used in the accounts presented. Using a different assumption would result in a different valuation being recorded.

Due diligence carried out as at April 2009 considered a number of valuations using different basis. These were market value of leasehold interest with an assumed yield of 9% and Nationwide Building Society as tenant without guarantee £4.6m (as used in the accounts), which would increase to £5.2m with a guarantee, and compared to £3.1m for market value with vacant possession. While a similar exercise has not been conducted by independent experts at 31 March 2010 management believe a similar variation would occur as market conditions remain similar and the vacant possession value of the property at 31 March 2010 is approximately £2.1m.

Taxation

Significant estimates are required in determining the provision for corporation tax. There are a number of transactions for which the final tax determination is uncertain at the balance sheet date.

3 Directors' remuneration, interests and transactions

The directors of the Company are also directors or employees of the parent entity, Nationwide Building Society and are remunerated for their services by the Society as a whole. Remuneration for services provided to this Company are £nil (2009: £nil).

4 Profit /(loss) before tax

The audit fees are borne by the parent entity £6k including £1k for extra work involved in the IFRS conversion (2009: £5k).

5 Employees

The Company has no employees (2009: nil); all are employed by the parent undertaking, Nationwide Building Society.

DUNFERMLINE BS NOMINEES LIMITED**Notes to the accounts for the year ended 31 March 2010****6 Tax on profit/ (loss) on ordinary activities**

Notes	2010 £'000	2009 £'000
Current tax:		
UK Corporation tax at 28% (2009: 28.4%)	121	162
Adjustments with respect to prior periods	(1)	(4)
Total current tax	120	158
Deferred tax:		
Current year	34	(194)
Adjustments with respect to prior periods	-	-
Total deferred tax	34	(194)
Taxation	154	(36)
The actual tax charge differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK as follows:		
Profit before tax	552	(124)
Tax calculated at a rate of 28% (2009: 28.4%)	155	(35)
Effects of:		
Rate change to 28%	-	3
Adjustments in respect of prior periods	(1)	(4)
	154	(36)

DUNFERMLINE BS NOMINEES LIMITED**Notes to the accounts for the year ended 31 March 2010****7 Investment properties**

	2010 £'000	2009 £'000
At 1 April	4,610	5,300
Property revaluation	120	(690)
At 31 March	4,730	4,610

The long leasehold land and buildings are held for the purpose of leasing.

The market valuation is based on 25 year lease from August 1994 with a rent of £450k per annum (2009: £450k pa).

8 Deferred taxation

	Notes	2010 £'000	2009 £'000
Brought forward – asset		477	283
Income statement credit		(34)	194
Total current tax		443	477

Deferred tax assets are attributable to the following items:

	2010 £'000	2009 £'000
Property revaluation	443	477

Deferred tax assets are all estimated to be recoverable after 1 year.

The deferred tax credit in the income statement comprises

The following temporary differences (note 6):

	2010 £'000	2009 £'000
Property revaluation	34	(194)

DUNFERMLINE BS NOMINEES LIMITED**Notes to the accounts for the year ended 31 March 2010****9 Liabilities**

	2010 £'000	2009 £'000
(a) Other creditors		
Group relief	1	-
Corporation Tax	58	158
	59	158
(b) Amounts owed to group undertaking		
Repayable in 3-12 months	2,476	2,688

This loan was made to the Company to enable it to purchase the leasehold of head office complex of Dunfermline Building Society at Carnegie Avenue, Dunfermline.

The loan is a call loan facility with variable interest payable.

10 Share capital

	2010 £	2009 £
Authorised		
100 Ordinary shares of £1 each	100	100
Issued, Allotted and unpaid		
2 Ordinary shares of £1 each	2	2

11 Reserves

	2010 £'000	2009 £'000
Profit and loss Account		
At 1 April 2009/ 1 January 2008	2,279	2,367
Profit/ (loss) for the financial period	398	(88)
At 31 March	2,677	2,279

DUNFERMLINE BS NOMINEES LIMITED**Notes to the accounts for the year ended 31 March 2010**

12 Reconciliation of shareholders funds

	Retained Earnings £'000	Share Capital £'000	Total £'000	Retained Earnings £'000	Share Capital £'000	Total £'000
Beginning of period	2,279	-	2,279	2,367	-	2,367
Profit/(loss) for the period	398	-	398	(88)	-	(88)
End of period	2,677	-	2,677	2,279	-	2,279

13 Related party transactions**Subsidiary, parent and ultimate controlling party**

The Dunfermline BS Nominees Limited is controlled by the Nationwide Building Society ("the Society") registered in England and Wales.

The Company's principal asset is leased by the Society for £450k per annum and the Company is funded by its parent with related interest expense of £18k.

Key Management Personnel

Key management personnel comprise the directors of Dunfermline BS Nominees Limited.

Key Management Compensation

Total compensation for key management personnel for the year by category of benefit were £nil (2009: £nil).

14 Risk management and control Overview

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

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents as well as exposure to tenants, including outstanding receivables. Risk control assesses the credit quality of customers taking into account its financial position, past experience and other factors.

Liquidity risk

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

14 Risk management and control Overview (continued)

Operational Risk

Operational risk is the risk associated with the operational activities of the business. An evolving operational risk framework is in place to monitor, evaluate and resolve operational risk issues as they are identified and ultimately to limit the incidence of future operational risk issues to an acceptable level.

Market Risk

The property portfolio of Dunfermline BS Nominees Limited is exposed to movements in property value and property rentals. The Company's sole property investment is rented by the Society. The Society currently occupies the building, and is responsible for the continued lease contractual obligations. The investment property is also subject to regular market valuations which have resulted in previous falls in the property portfolio..

See note 7 and note 16 for further details.

15 Capital management

Capital comprises the general reserve and share capital. Capital is managed on a Group basis.

Further information on the Group's capital position can be viewed in the Business Review on page 19 of the Group Annual Report and Accounts, which can be obtained from the address below.

DUNFERMLINE BS NOMINEES LIMITED**Notes to the accounts for the year ended 31 March 2010**

16 Reconciliation of net assets and profit/ loss under UK GAAP to IFRS

The Company reported under UK GAAP in its previously published financial statements for the fifteen month period ended 31 March 2009. The analysis below shows a reconciliation of net assets and loss as reported under UK GAAP as at 31 March 2009 to the revised net assets and loss under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this Company, being 1 January 2008.

Reconciliation of profit before taxation

	Fifteen month period ended 31 March 2009 £'000
Loss before taxation reported under UK GAAP	(1,136)
Adjustments:	
IAS40 Reversal of impact on conversion of fixed assets to investment properties	1,702
IAS40 Decrease in fair value of investment properties during the period	(690)
Loss before taxation reported under IFRS	(124)

Reconciliation of profit after taxation

	Fifteen month period ended 31 March 2009 £'000
Loss for the year reported under UK GAAP	(1,293)
IAS40 Reversal of impairment on conversion of fixed assets to investment properties	1,702
IAS40 Decrease in fair value of investment properties during the period	(690)
Tax effect of above adjustment	193
Loss for the year reported under IFRS	(88)

DUNFERMLINE BS NOMINEES LIMITED**Notes to the accounts for the year ended 31 March 2010****16 Reconciliation of net assets and profit/ loss under UK GAAP to IFRS (continued)**

On conversion to IFRS the Company has changed the basis of accounting for its principle asset, the land and buildings known as Carnegie House. The Company has determined that the nature of the property is most accurately reflected as an Investment Asset. This was a treatment that was specifically excluded from UK GAAP for properties occupied by another group company. As a result, the previously recognised impairment of £1,702,000 has now been reversed and classified as a decrease in fair value within the statement of comprehensive income. The difference in the loss recognised is due to the fair valuation adjustment on the investment property at 1 January 2008 as shown below.

Reconciliation of balance sheet to UK GAAP at 1 January 2008

	As at 1 January 2008 UK GAAP £'000	Conversion £'000	As at 1 January 2008 IFRS £'000
ASSETS			
Non current assets			
Property, plant & equipment	6,312	(6,312)	-
Deferred tax	-	283	283
Investment Property	-	5,300	5,300
Total assets	6,312	(729)	5,583
LIABILITIES			
Current liabilities			
Current tax liability	137	-	137
Rent Accrual	75	-	75
Non current liabilities			
Amounts due to parent undertaking	3,004	-	3,004
Total liabilities	3,216	-	3,216
EQUITY			
Share capital	-	-	-
Retained earnings	3,096	(729)	2,367
Total equity	3,096	(729)	2,367
Total equity and liabilities	6,312	(729)	5,583

Conversion effects are all related to Carnegie House, in accordance with the Group's policy of fair valuing its investment property assets the fair value of Carnegie House was £5,300,000 as at 1 January 2008.

DUNFERMLINE BS NOMINEES LIMITED**Notes to the accounts for the year ended 31 March 2010****16 Reconciliation of net assets and profit/ loss under UK GAAP to IFRS (continued)****Reconciliation of balance sheet to UK GAAP at 31 March 2009**

	As at 31 March 2009 UK GAAP £'000	Conversion £'000	As at 31 March 2009 IFRS £'000
ASSETS			
Current Assets			
Trade and other receivables	38	-	38
Non current assets			
Property, plant & equipment	4,610	(4,610)	-
Deferred tax	-	477	477
Investment property	-	4,610	4,610
Total assets	4,648	477	5,125
LIABILITIES			
Current liabilities			
Current tax liability	157	1	158
Non current liabilities			
Amounts due to parent undertaking	2,688	-	2,688
Total liabilities	2,845	1	2,846
EQUITY			
Share capital	-	-	-
Retained earnings	1,803	476	2,279
Total equity	1,803	476	2,279
Total equity and liabilities	4,648	477	5,125

Conversion effects are all related to Carnegie House, in accordance with the Group's policy of fair valuing its investment property assets the fair value of Carnegie House was £4,610,000 at 31 March 2009.

17 Ultimate Parent undertaking and controlling party

The immediate and ultimate parent undertaking and controlling party is Nationwide Building Society. The Society is registered in England and Wales. The Society is registered at Nationwide House, Pipers Way, Swindon, SN38 1NW. The consolidated financial statements of Nationwide Building Society can be obtained from this address.

DUNFERMLINE BS NOMINEES LIMITED

Notes to the accounts for the year ended 31 March 2010

18 Post balance Sheet

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance (No 2) Act 2010 would be to reduce the deferred tax asset provided at 31 March 2010 and profit for the year by £15,820. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 28 per cent to 27 per cent with effect from 1 April 2011.

The subsequent reductions by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of these changes, if applied to the deferred tax balance at 31 March 2010, would be to reduce the deferred tax asset by £47,460 (being £15,820 recognised in 2012 and £31,640 recognised in subsequent years).