Registered number: SC113202

Dunfermline BS Nominees Limited

Unaudited Annual Report and Financial Statements for the year ended 31 March 2014

Contents

Directors and company information

Directors

T Prestedge
J Tibbles
A Robb

Company secretary

J Lindsey

Registered office

Caledonia House
Carnegie Avenue
Dunfermline
KY11 8PJ

Registered number

SC113202

Directors' report for the year ended 31 March 2014

The directors have pleasure in presenting their Annual Report and the unaudited Financial Statements for the year ended 31 March 2014.

As set out in the statement of accounting policies, the Annual Report and Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

The directors have opted to take advantage of the audit exemption available to the Company under Section 479A of the Companies Act 2006, as a subsidiary of Nationwide Building Society.

Principal activities

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

The principal activity of the Company continues to be the management of property. The Company leases its principal asset, Caledonia House, to its parent undertaking. 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 13 August 2014. The Company has a 999 year ground lease in relation to Carnegie Campus upon which Caledonia House resides.

The Company made a profit before tax of £192,000 (2013: loss of £361,000). In both years, the results are largely driven by movements in the fair value of the investment property. In 2013 there was a large downward revaluation of the property, due to the depressed property market; a smaller fall in valuation was experienced in 2014 reflecting a slightly more positive market outlook at the end of the period.

Results and dividends

The profit after tax was £26,000 (2013: loss £313,000). No dividends were proposed or paid during the year or in the prior year. The retained earnings carried forward are £1,980,000 (2013: £1,954,000).

Future developments

The directors intend to continue to generate rental income from the investment property for the foreseeable future.

Strategic goals

Strategic goals are set at Group level. The key performance indicators in relation to the Group's strategic goals are set out below:

- Be the clear number 1 for customer satisfaction
- Protect and grow our market shares in: mortgages, savings and current accounts
- Grow and deepen our relationships with our members
- Engage and enable our people to deliver an exceptional member service
- Run a low risk business model
- Deliver optimal levels of profitability
- Ensure capital strength with market leading Common Equity Tier 1 ratio and leverage ratio above PRA requirements
- Deliver operational efficiency and prudent cost management, targeting a cost income ratio of 45-50%

Further information on the Group's performance against these, and also the strategic goals for the next five years can be found in the Overview section of the Group Annual Report and Accounts.

Risk management and control

Risk management and control is undertaken at Group level.

In common with other retail financial services organisations, our business model results in a number of inherent risks which are continuously monitored and managed. These are categorised as follows:

- Financial risk, and
- Operational risk

The risk management objectives and policies which correspond to these risks and uncertainties are described in note 12.

Employees

The Company has no employees. All staff are employed by the Group.

Going concern

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

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.

Directors' indemnities

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

Domicile

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

Directors and directors' interests

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

A Robb
J Tibbles
T Prestedge

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.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Alison Robb ALISON ROBB

Director

25 November 2014

Statement of comprehensive income for the year ended 31 March 2014 (unaudited)

	Notes	2014 £'000	2013 £'000
Revenue	7	**450**	450
Decrease in fair value of investment property	7	**(250)**	(800)
Operating profit/(loss)		**200**	(350)
Interest expense	3	**(8)**	(11)
Profit/(loss) before tax		**192**	(361)
Taxation	6	**(166)**	48
Profit/(loss) after tax		**26**	(313)
Total comprehensive income/(expense)		**26**	(313)

The notes on pages 11 to 21 form part of these financial statements.

DUNFERMLINE BS NOMINEES LIMITED

Balance sheet as at 31 March 2014 (unaudited)

	Notes	2014 £'000	2013 £'000
Assets			
Non current assets			
Investment property	7	**2,250**	2,500
Deferred tax assets	8	**812**	876
Current assets			
Current tax assets		-	1
Other assets		**38**	38
Total assets		**3,100**	3,414
Liabilities			
Current liabilities			
Amounts owed to parent undertaking	9	**1,068**	1,297
Current tax liabilities		**51**	49
Group relief liabilities		**1**	114
Total liabilities		**1,120**	1,460
Equity			
Share capital	10	-	-
Retained earnings		**1,980**	1,954
Total equity		**1,980**	1,954
Total equity and liabilities		**3,100**	3,414

The notes on pages 11 to 21 form part of these financial statements.

For the year ended 31 March 2014 the Company was entitled to exemption under Section 479A of the Companies Act 2006.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements were approved by the Board of directors on 25 November 2014

Alison Robb

Alison Robb

Director

Statement of changes in equity for the year ended 31 March 2014 (unaudited)

	2014			2013		
	Share capital £'000	**Retained earnings £'000**	**Total £'000**	Share capital £'000	Retained earnings £'000	Total £'000
At 1 April	-	1,954	1,954	-	2,267	2,267
Profit/(loss) after tax and total comprehensive income/(expense)	-	**26**	**26**	-	(313)	(313)
At 31 March	-	**1,980**	**1,980**	-	1,954	1,954

The notes on pages 11 to 21 form part of these financial statements.

Cash flow statement for the year ended 31 March 2014 (unaudited)

	2014 £'000	2013 £'000
Cash flows generated from operating activities		
Profit /(loss) before tax	**192**	(361)
Adjustments for:		
Decrease in fair value of investment property	**250**	800
Cash generated from operations	**442**	439
Group relief paid	**(113)**	(120)
Taxation	**(100)**	66
Net cash flows generated from operating activities	**229**	385
Cash flows used in financing activities		
Amounts received from parent undertaking	**384**	212
Amounts paid to parent undertaking	**(613)**	(597)
Net cash flows used in financing activities	**(229)**	(385)
Net increase in cash	**-**	-
Cash and cash equivalents at the start of the year	-	-
Cash and cash equivalents at end of the year	**-**	-

The notes on pages 11 to 21 form part of these financial statements.

1 Statement of accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to organisations reporting under IFRSs. 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. A summary of the significant accounting policies is set out below.

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

Changes in accounting policy

The following IFRS pronouncements, relevant to the Company, were adopted with effect from 1 April 2013:

- IFRS 13 Fair Value Measurement: The standard has replaced guidance on fair value measurement in previous IFRS accounting publications with a single standard. The standard, which is required to be applied prospectively, provides guidance on the calculation of the fair value of financial and non-financial assets and liabilities and additionally requires enhanced disclosures. With the exception of the enhanced disclosures, the new standard has not had a material impact for the Company.

- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities: The amendments require disclosure of the effect or potential effects of netting arrangements on an entity's financial position including financial instruments that are subject to an enforceable master netting arrangement or similar agreement. The new standard has not had a material impact for the Company.

Future accounting developments

The following pronouncements, relevant to the Company, have been adopted by the EU but are not effective at 31 March 2014 and therefore have not been applied in preparing these financial statements:

Pronouncement	Nature of change	Effective date
Recoverable amount disclosures for non-financial assets (Amendments to IAS 36)	The amendment reduces the circumstances in which the recoverable amount of assets or cash generating units is required to be disclosed. The amendment is not expected to have an impact for the Company.	Accounting Periods (AP) beginning on or after 1 January 2014
IAS 32 Offsetting Financial Assets and Financial Liabilities	Clarifies existing offsetting criteria. The amendment is not expected to have an impact for the Company.	AP beginning on or after 1 January 2014

1 Statement of accounting policies (continued)

Future accounting developments (continued)

The following pronouncements, relevant to the Company, are neither adopted by the EU nor effective at 31 March 2014 and has not therefore been applied in preparing these financial statements:

Pronouncement	Nature of change	Effective date
IFRS 9 Financial Instruments	The new standard replaces IAS 39. Changes include classification and measurement of the Company's financial assets and liabilities, the recognition of impairment, and hedge accounting. The revised classification and measurement approach will lead to the Company's financial assets being re-classified as either amortised cost, fair value through other comprehensive income (OCI), or fair value through the income statement. Financial liabilities will be accounted for as at present. The impairment of financial assets under IFRS 9 will be based on expected credit losses rather than incurred credit losses as at present. A number of the proposals are not expected to be finalised until later in 2014. It is therefore not yet possible to estimate the financial effects of the new standard, although it is expected to have a significant impact for the Company, in line with the wider industry.	AP beginning on or after 1 January 2018 (to be confirmed by the IASB later in 2014)
Annual improvements to IFRSs 2010 - 2012 cycle	Several small amendments with no significant impact for the Company.	AP beginning on or after 1 July 2014
Annual improvements to IFRSs 2011 – 2013 cycle	Several small amendments with no significant impact for the Company.	AP beginning on or after 1 July 2014

a) Revenue

Revenue derived from investment property is recognised in the statement of comprehensive income on an accruals basis as services are provided. Rental income, together with any incentives, is recognised on a straight line basis over the lease term. Provision is made for any rents due but not considered.

1 Statement of accounting policies (continued)

b) Interest expense

Interest due on the outstanding loan with the Company's parent undertaking 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.

c) Taxation including deferred tax

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

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

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

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

d) Investment property

The investment property which comprises property held for rental, is stated at fair value. The property is revalued annually by an external qualified valuer, in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Professional Standards (incorporating the International Valuation Standards). Changes in fair value are included in the statement of comprehensive income. Depreciation is not charged on the investment property.

e) Financial liabilities

Financial liabilities are recognised at amortised cost.

f) Derecognition of financial assets and liabilities

Derecognition is the point at which the Company removes an asset or liability from its balance sheet.

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.

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

1 Statement of accounting policies (continued)

g) 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, including short term deposits with the Group.

h) Segmental reporting

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

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 financial statements requires management to make judgements in applying its accounting policies which affect the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant area where judgements and estimates are made is the valuation of the investment property.

The investment property is revalued annually by an external qualified valuer, in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation Professional Standards (incorporating the International Valuation Standards). Changes in the assumptions used in the valuation models could affect the reported fair value of the investment properties. The property is valued on the basis of the expected future rental income from the property.

3 Interest expense

Interest expense of £8,000 (2013: £11,000) relates to interest payable on amounts owed to parent undertaking.

4 Employees

The Company has no employees (2013: nil). All staff are employed by the Group.

5 Remuneration of directors

All of the directors are also employees or directors of the parent undertaking. They received no emoluments in respect of their services to the Company (2013: £nil).

6 Taxation

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax	**102**	105
Total current tax	**102**	105
Deferred tax:		
Current year	**(58)**	(192)
Effect of corporation tax rate change	**122**	39
Total deferred tax	**64**	(153)
Taxation	**166**	(48)

The current tax charge includes no charge (2013: £1,000) in respect of group relief due to the Group and fellow subsidiary companies.

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

	2014 £'000	2013 £'000
Profit/(loss) before tax	**192**	(361)
Tax calculated at a rate of 23% (2013: 24%)	**44**	(87)
Effect of corporation tax rate change	**122**	39
	166	(48)

7 Investment property

	2014 £'000	2013 £'000
Valuation:		
At 1 April	2,500	3,300
Decrease in fair value	**(250)**	(800)
At 31 March	**2,250**	2,500

The investment property is leased by the Company's parent undertaking for 25 years from August 1994 with a rent of £450,000 per annum (2013: £450,000).

8 Deferred tax assets

	2014 £'000	2013 £'000
At 1 April	876	723
Statement of comprehensive income credit	**58**	192
Effect of corporation tax rate change through statement of comprehensive income	**(122)**	(39)
At 31 March	**812**	876

Deferred tax assets are attributable to the investment property revaluation. Deferred tax assets are estimated to be recoverable after more than 1 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 asset.

8 Deferred tax assets (continued)

The deferred tax charge/(credit) in the statement of comprehensive income comprises the following temporary differences (note 6):

	2014 £'000	2013 £'000
Investment property revaluation	(58)	(192)
Effect of corporation tax rate change	122	39
	64	(153)

Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015 was introduced in the Finance Act 2013.

Deferred tax has been provided at the rates applicable when the deferred tax assets are expected to realise.

9 Amounts owed to parent undertaking

The amounts owed to parent undertaking comprise variable interest rate funding which is repayable on demand.

All intercompany transactions are entered into on normal market conditions. The variable interest rate is predetermined and linked to LIBOR. All intercompany loans are unsecured.

10 Share capital

	2014 £	2013 £
Authorised:		
100 Ordinary shares of £1 each	100	100
Issued and fully paid:		
2 Ordinary shares of £1 each	2	2

11 Leasing

The Company leases its principal asset, Caledonia House, to its parent undertaking. The duration of the lease, which commenced in 1994, is 25 years at an annual rent of £450,000 (2013: £450,000).

	2014 £'000	2013 £'000
Subleasing payments receivable under non-cancellable subleases	2,213	2,663

At the balance sheet date, total future minimum lease payments receivable under non-cancellable operating leases were as follows:

	2014 £'000	2013 £'000
Amounts falling due:		
Within one year	450	450
Between one and five years	1,763	1,800
After five years	-	413
	2,213	2,663

12 Risk management and control

Principal risks

Whilst the Company accepts that all of its business activities involve risk, it seeks to protect its members by managing the risks that arise from its activities appropriately. The principal risks inherent within the business are described in the table below:

Risk category	Definition
Financial	The risk of the Company having inadequate earnings, cash flow or capital to meet current or future requirements and expectations. It includes loss or damage to the earnings capacity, market value or liquidity of the Company, arising from mismatches between the assets, funding and other commitments, which may be exposed by changes in market rates, market conditions or the Company's own credit profile.
Operational	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Financial risk

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

Market risk

Market risk is the risk that the value of, or net income arising from, the Company's assets and liabilities changes as a result of changes to interest rates, exchange rates or equity prices. The main market risk faced by the Company is the risk associated with movements in property prices and interest rate risk.

The investment property held by the Company is exposed to movements in the fair value of the property and property rentals. The Company has one investment property. The tenant in the property is Nationwide Building Society. Investment property is revalued to fair value annually, by external surveyors. Any difference between the carrying value of the property and the fair value is recognised in the statement of comprehensive income in the year.

Financial risk is managed at Group level within a framework of approved assets, currencies and capital instruments supported by detailed limits set by either the Board or the Assets and Liabilities Committee (ALCO) under its delegated mandate.

Liquidity and funding risk

Liquidity risk is the risk that the Company is unable to maintain the capabilities to meet or settle its financial obligations as they fall due and to maintain public and stakeholder confidence.

Funding risk is the risk that the Company is unable to realize assets or otherwise raise funds on reasonable terms and/or within reasonable timescales.

12 Risk management and control (continued)

Liquidity and funding risk (continued)

The Company ensures it has sufficient resources to meet day-to-day cash flow needs and to meet internal liquidity requirements.

Immediate funding for the Company is provided by the Parent who manages the funding needs of the Group. The Company has minimal liquidity and funding risk provided the Company's parent, Nationwide Building Society, continues to fund the Company's activities in accordance with its current funding arrangements. Assurance as to the continuance of these arrangements forms part of the going concern basis adopted in preparing the financial statements.

The Group maintains a strong franchise in retail and wholesale funding. The wholesale market is accessible using a range of unsecured and secured instruments enabling maintenance of a diversified funding base across a range of maturities. Together with a strong market share of retail funding, the Group has flexibility to access stable funding from the most cost-effective sources. Through the wholesale markets, the Group has direct active relationships with counterparties across a range of sectors, including banks, other financial institutions, corporates and investment funds.

Further details of the Groups approach to liquidity and funding risk management is included in the Business and Risk Report of the Group Annual Report and Accounts.

Maturity of liquidity assets and liabilities

The company's only financial liability is £1,068 (2013: £1,297) of amounts owed by the parent company which is repayable on demand. The company has no financial assets.

Operational risk

The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk encompasses transformation risk and is managed on a Group basis.

12 Risk management and control (continued)

Operational risk (continued)

This definition is further refined into seven key risk and control policy areas:

Risk category	Definition
Financial reporting and tax	The risk of material error in the external financial reports, non-compliance with tax laws or codes or failure to maintain the integrity of the general ledger.
Fraud	The risk of loss or failure caused by an act of dishonesty, false representation, the failure to disclose information, or by abuse of position.
Group security	The risk of loss of data or damage to assets, including physical and cyber-based attacks, and unauthorised disclosure of information.
Information and financial management	The risk of loss or failure arising from inaccurate, unavailable, incomplete or undefined data; errors in regulatory and / or internal and external critical reporting; ungoverned assumptions and errors in financial planning and or financial information provided to support material decision making.
Infrastructure and resilience	The risk of failure to provide a robust technological and/or physical infrastructure to support operational activities and the achievement of business objectives.
People	The risk of loss or failure due to the inability to recruit, develop, reward and retain the required people resources.
Transformation	The risk of loss or failure arising from formally managed project activities that seek to deliver change in the Group's capabilities.

Further details of the Group policies for the management of operational risk can be found in the Business and Risk Report of the Group Annual Report and Accounts.

Risk Governance

Risk management and control is undertaken at Group level within the Group's Enterprise Risk Management Framework, which applies to the Nationwide Group, including all trading divisions and subsidiaries and is structured around five headings:

Heading	Description
Risk culture	Sets out the values and behaviours present throughout the organisation that shape risk decisions across the Group.
Risk governance and control	Sets the risk categories, the Group's Three Lines of Defence and how these are deployed, the committee governance structure, and standards for documentation and policy.
Risk strategy	Sets out the Nationwide Group Board's risk appetite and overall strategy for risk management, connecting the Group's corporate plan and risk appetite with practical and detailed strategies, controls and limits to deliver this strategy without compromising risk appetite.
Risk measurement	Sets out the standards across the Group, encompassing risk data and systems, the use of models, reporting, and risk based performance measurement.
Stress testing and planning	Sets out the approach to Group wide stress testing, scenario analysis, contingency plans, and the interactions with other corporate processes.

12 Risk management and control (continued)

Risk governance (continued)

Further information around the Group's risk management and control policies is available in the Business and Risk Report within the Group Annual Report and Accounts.

13 Fair value of financial assets and liabilities

The fair value of a financial instrument is the amount for which the asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties. The directors consider that the carrying value of the mounts owed to parent undertakings approximates their fair value.

14 Related party transactions

Transactions with key management personnel

Key management personnel comprise the directors of the Company and of the parent undertaking, Nationwide Building Society. Total compensation for key management personnel for the year was £nil (2013: £nil).

There were no other transactions with key management personnel (2013: £nil).

Transactions with parent undertaking

The parent undertaking and ultimate controlling party, Nationwide Building Society, is a related party to the Company. Transactions are entered into with related parties in the normal course of business. These included loan advances, repayments, interest and rental income.

The Company's principal asset is leased by the parent undertaking, Nationwide Building Society, for £450,000 (2013: £450,000) per annum.

Movements on amounts owed to the parent undertaking during the year are set out below:

	2014	2013
	£'000	£'000
At 1 April	1,297	1,681
Loan advances	**384**	212
Loan repayments	**(613)**	(597)
At 31 March	**1,068**	1,297

During the year £8,000 (2013: £11,000) of interest was charged on amounts owed to parent undertaking.

In addition the other assets of £38,000 (2013: £38,000) relate solely to accrued rental income for March 2014 receivable from the parent undertaking.

15 Capital management

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

The Group is subject to the capital requirements imposed by its regulator, the Prudential Regulation Authority (PRA), formerly the Financial Services Authority (FSA). During the year the Group complied with the capital requirements set by the PRA.

Further information on the Group's capital position can be viewed in the Business Review of the Group's Annual Report and Accounts, which can be obtained from the address below or at **nationwide.co.uk**.

16 Parent undertaking and ultimate controlling entity

The Company is a wholly owned subsidiary of Nationwide Building Society, its immediate and ultimate parent and controlling party, which is registered in England and Wales.

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

17 Post balance sheet events

The investment property is leased to the Company's parent undertaking under a 25 year lease. The lease agreement incorporates 5 yearly rent reviews. A rent review in August 2014 confirmed that the annual rent would remain at the current level of £450,000.