

Registered Number: 2222856

The Mortgage Works (UK) plc

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

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THE MORTGAGE WORKS (UK) PLC

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

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THE MORTGAGE WORKS (UK) PLC

Directors and auditors

Directors

T Kaye
I Andrew
C Rhodes
I Laing
H Jordan
R Napier
A Matson

Company secretary

J Lindsey

Independent auditors

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

Registered office

Nationwide House
Pipers Way
Swindon
Wiltshire
SN38 1NW

Registered number

2222856

THE MORTGAGE WORKS (UK) PLC

Directors' report for the year ended 31 March 2014

The directors have pleasure in presenting their Annual Report and the audited 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.

Principal activities

The Mortgage Works (UK) Plc (the Company) is a wholly owned subsidiary of Nationwide Building Society (the Group). The Company is authorised and regulated by the Financial Conduct Authority (FCA).

The principal activity of the Company continues to be residential mortgage lending primarily in the buy to let sector. The main aim of the Company is to maximise value for the Group by manufacturing a range of residential loans which are distributed primarily through intermediaries.

Results and dividends

The profit after tax was £148.3 million (2013: £78.9 million). No dividends were proposed or approved during the year (2013: approved £25.0 million) in respect of 38,000,000 ordinary shares of £1 in the Company (2013: £0.66 per share).

Strategic Report, future developments and key performance indicators

The Group's business and future plans are reviewed in the Strategic Report. This report also includes the Group's principal key performance indicators.

Employees

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

Environment

The Group remains committed to managing our environmental impacts. We have created a bold vision to be a leader in environmental sustainability in the UK financial services sector. To deliver this vision we have made a range of commitments across our business to reduce the impacts of our own activities, develop solutions with our suppliers and help our members save energy at home.

Further details of our activities can be found in the Group's citizenship strategy report in the Group Annual Report and Accounts, and on Nationwide Building Society's website at nationwide.co.uk (citizenship section).

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.

THE MORTGAGE WORKS (UK) PLC

Directors' report for the year ended 31 March 2014 (continued)

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:

T Kaye
I Andrew
C Rhodes
I Laing
H Jordan
R Napier
A Matson (appointed 7 October 2013)

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.

Domicile

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

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.

THE MORTGAGE WORKS (UK) PLC

Directors' report for the year ended 31 March 2014 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 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 auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office.

Statement of disclosure of information to auditors

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

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

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

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


Director

Andrew Matson

[22] July 2014

THE MORTGAGE WORKS (UK) PLC

Strategic report for the year ended 31 March 2014

All financial information given in this strategic report is taken solely from the statutory results prepared in accordance with IFRS.

Business review

Profit before tax has increased to £192.6 million (2013: £104.2 million) mainly due to an increase in net interest. There was a rise in interest income due to the growth in the mortgage book even though average interest rates charged fell slightly during the year. Interest payable to the parent undertaking decreased as the fall in interest rates charged by the parent more than offset the increase in the balance owed.

The retained earnings carried forward are £337.3 million (2013: £189.0 million).

The mortgage book has continued to grow as a result of positive net lending as a consequence of improved market conditions and more competitive offerings. Gross lending for the year was £3.7 billion all of which related to the buy to let market (2013: £3.3 billion buy to let lending).

Net lending is funded by the Group through intercompany loans. Amounts due to the parent undertaking have increased in line with the growth in the mortgage book.

The impairment provision on loans to customers has fallen from £37m to £21m this year as a result of a combination of three factors. Increases in the House Price Index have boosted underlying security values, there has been a fall in the volume of customers with accounts more than 3 month in arrears and in addition a number of assumptions used in assessing the provision requirements have been updated to reflect recent improved arrears management and recoveries experience.

Future developments

The directors remain optimistic about trading conditions in terms of competition and new business margins. The Company will continue to support the existing range of residential loans, with new lending predominantly focussed on buy to let. The Company will continue to maximise value for the Group as a specialist residential mortgage lender.

Strategic goals

Strategic goals are set at Group level. The key performance indicators in relation to the Groups 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 (CET1) 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.

THE MORTGAGE WORKS (UK) PLC

Strategic report for the year ended 31 March 2014 (continued)

Risk overview

Overall the outlook is encouraging, credit exposures are performing well, while capital reserves have been increased due to rising profitability. Market sentiment has become more positive, further increasing our confidence in the business. At a Group level this year we have also made steady improvements to our controls and our frameworks for managing risks.

Although the condition of the business has strengthened, risks remain. Current positive market conditions may reverse, driven either by UK or overseas events; or resurgent competition may put pressure on our operating margins.

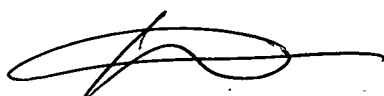
It is also almost certain that regulators' and customers' expectations will increase, and their tolerance for failure will reduce. The pace of change and the standards of consistency now required present conduct and operational risks.

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:

- Lending risk
- Financial risk
- Operational risk
- Customer and compliance risk
- Strategic risk, and
- Model risk.

The risk management objectives and policies which correspond to these risks and uncertainties are described in note 21.

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



Andrew Matson

Director

[22] July 2014

THE MORTGAGE WORKS (UK) PLC

Independent auditors' report to the members of The Mortgage Works (UK) plc

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by The Mortgage Works plc, comprise:

- balance sheet as at 31 March 2014;
- statement of comprehensive income for the year then ended;
- cash flow statement for the year then ended;
- statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

THE MORTGAGE WORKS (UK) PLC

Independent auditors' report to the members of The Mortgage Works (UK) plc (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

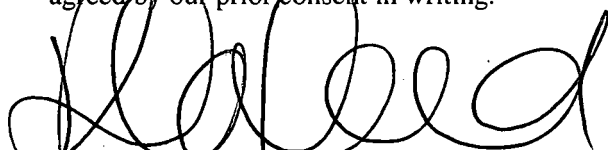
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of the Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.



Richard Oldfield (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 July 2014

Statement of comprehensive income for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Interest receivable and similar income	3	857,795	819,578
Interest expense and similar charges	4	(656,723)	(698,499)
Net interest income		201,072	121,079
Fee and commission income	5	7,639	7,533
Other operating income	6	402	575
Dividend income from subsidiary undertakings		-	2
Total income		209,113	129,189
Administrative expenses	7	(23,635)	(25,218)
Impairment gains on loans and advances to customers	9	7,151	233
Profit before tax		192,629	104,204
Taxation	10	(44,323)	(25,353)
Profit after tax		148,306	78,851

Other comprehensive expense:**Items that will not be reclassified to the income statement**

Effect of tax rate change on items through reserves	16	(17)	(11)
Other comprehensive expense		(17)	(11)

Total comprehensive income for the year		148,289	78,840
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The notes on pages 14 to 46 form part of these financial statements.

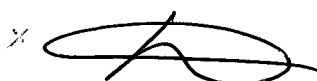
THE MORTGAGE WORKS (UK) PLC

Balance sheet as at 31 March 2014

	Notes	2014 £'000	2013 £'000
Assets			
Non current assets			
Loans and advances to customers	13	20,866,870	19,196,467
Equipment, fixtures and fittings	15	-	16
Deferred tax assets	16	275	432
Current assets			
Cash due from banks		15,129	17,851
Amounts due from parent undertaking	12	499	5,191
Loans and advances to customers	13	67,657	48,443
Current tax assets		-	14,912
Other assets		246	252
Total assets		20,950,676	19,283,564
Liabilities			
Non current liabilities			
Amounts owed to parent undertaking	17	4,385,330	2,787,842
Provisions for liabilities and charges	18	-	110
Current liabilities			
Amounts owed to parent undertaking	17	16,157,319	16,187,277
Accruals and deferred income		1,268	811
Other liabilities		2,214	2,020
Group relief liabilities		7,360	78,484
Current tax liabilities		21,926	-
Provisions for liabilities and charges	18	-	50
Total liabilities		20,575,417	19,056,594
Equity			
Share capital	19	38,000	38,000
Retained earnings		337,259	188,970
Total equity		375,259	226,970
Total equity and liabilities		20,950,676	19,283,564

The notes on pages 14 to 46 form part of these financial statements.

The financial statements were approved by the Board of directors on [22] July 2014.



[Name] Director

Andrew Matson

THE MORTGAGE WORKS (UK) PLC

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

	2014			2013		
	Share capital £'000	Retained earnings £'000	Total equity £'000	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 April	38,000	188,970	226,970	38,000	135,130	173,130
Profit after tax	-	148,306	148,306	-	78,851	78,851
Effect of tax rate change on items through reserves (note 16)	-	(17)	(17)	-	(11)	(11)
Total comprehensive income	-	148,289	148,289	-	78,840	78,840
Transactions with owners:						
Dividends (note 11)	-	-	-	-	(25,000)	(25,000)
At 31 March	38,000	337,259	375,259	38,000	188,970	226,970

The notes on pages 14 to 46 form part of these financial statements.

THE MORTGAGE WORKS (UK) PLC**Cash flow statement for the year ended 31 March 2014**

	2014 £'000	2013 £'000
Cash flows generated from operating activities		
Profit before tax	192,629	104,204
Adjustments for:		
Decrease in impairment provisions	(16,182)	(13,181)
Increase in operating assets	(1,673,429)	(1,956,112)
Increase/(decrease) in operating liabilities	491	(26,839)
Loss on disposal of equipment, fixtures and fittings	8	-
Depreciation expense	8	15
Cash generated from operations	(1,496,475)	(1,891,913)
Taxation	(78,469)	(33,874)
Repayment of investment	-	220
Dividends received	-	2
Net cash flows used in operating activities	(1,574,944)	(1,925,565)
Cash flows generated from financing activities		
Amounts received from parent undertaking	4,740,000	4,368,804
Amounts paid to parent undertaking	(3,147,470)	(2,552,814)
Dividends paid to parent undertaking	(25,000)	-
Net cash flows generated from financing activities	1,567,530	1,815,990
Net decrease in cash	(7,414)	(109,575)
Cash and cash equivalents at the start of the year	23,042	132,617
Cash and cash equivalents at the end of the year	15,628	23,042

Cash and cash equivalents

	2014 £'000	Flows £'000	2013 £'000
Cash due from banks	15,129	(2,722)	17,851
Amounts due from parent undertaking	499	(4,692)	5,191
	15,628	(7,414)	23,042

The notes on pages 14 to 46 form part of these financial statements.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014

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 Company has taken advantage of the exemption in Section 400 of the Companies Act 2006 not to prepare group financial statements as it is a fully consolidated subsidiary of the Nationwide Building Society.

The preparation of financial statements in conformity with general 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.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

1 Statement of accounting policies (continued)

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
IFRSs 10 – 12 and amendments to IAS 27 and 28	<p>A package of five new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities.</p> <p>The standard requires enhanced disclosures of interests in subsidiaries. With the exception of the enhanced disclosures the standard is not expected to have a material impact for the Company.</p>	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
Recoverable amount disclosures for non-financial assets (Amendments to IAS 36)	<p>The amendment reduces the circumstances in which the recoverable amount of assets or cash generating units is required to be disclosed.</p> <p>The amendment is not expected to have an impact for the Company.</p>	AP beginning on or after 1 January 2014

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****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 therefore have not been applied in preparing these financial statements:

Pronouncement	Nature of change	Effective date
IFRS 9 Financial Instruments	<p>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.</p> <p>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.</p> <p>The impairment of financial assets under IFRS 9 will be based on expected credit losses rather than incurred credit losses as at present.</p> <p>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.</p>	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
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	<p>The amendment clarifies that the use of revenue based methods to calculate depreciation and amortisation are not appropriate.</p> <p>The amendment is not expected to have a significant impact for the Company.</p>	AP beginning on or after 1 January 2016

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

1 Statement of accounting policies (continued)

a) Interest receivable and interest expense

Interest income arises on amounts due from the parent undertaking. Interest income is recognised in the statement of comprehensive income in the period in which it is earned.

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.

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

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

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

b) Fees and commissions

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

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

c) Operating leases

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership to the lessee. Operating lease payments and receipts are charged to the statement of comprehensive income on a straight line basis over the life of the lease.

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.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

1 Statement of accounting policies (continued)

d) Taxation including deferred tax (continued)

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.

e) Equipment, fixtures and fittings

Equipment, fixtures and fittings are recorded at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items, major alterations and refurbishments.

Depreciation is calculated using the straight line method to allocate the cost of fixed assets over the following estimated useful lives:

Equipment	3 to 5 years
Fixtures and fittings	5 to 10 years

Estimated useful lives are reviewed annually and adjusted if appropriate, in the light of technological developments, usage and other relevant factors.

Equipment, fixtures and fittings are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset and are included in the statement of comprehensive income.

f) Loans and receivables

Loans and advances to customers, amounts due from parent undertaking and cash due from banks are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

1 Statement of accounting policies (continued)

g) Impairment of loans and receivables

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

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The resultant provisions are deducted from the appropriate asset values in 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 year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the provision is adjusted and the amount of the reversal is recognised in the statement of comprehensive income.

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

Cash flows are estimated based on past experience combined with our view of the future considering the following factors:

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

The provision methodology recognises previous arrears as a driver of future possible default and therefore accounts which have either capitalised arrears or have been in arrears in the last 12 months typically attract a higher provision level.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

1 Statement of accounting policies (continued)

h) Fair value of financial assets and liabilities

IFRS 13 requires an entity to classify financial instruments 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

Financial instruments 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

Financial instruments 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

Financial instruments 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) Financial liabilities

Financial liabilities are recognised at amortised cost.

j) 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.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

1 Statement of accounting policies (continued)

k) 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 and banks.

l) Provisions for liabilities and charges

A provision is recognised where there is a present obligation as a result of a past event, it is probable that the obligation will be settled and the amount can be reliably estimated. The amount recognised is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

m) 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.

n) Investment in subsidiary policy

Investments in subsidiary undertakings are stated at cost less provision for any impairment in value.

o) 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.

p) Dividend income

Dividend income is recognised when the right to receive payment is established. This arises when the dividends are received or when the dividends are appropriately authorised by the subsidiary.

q) Other operating income

Other operating income is recognised in the period it is earned.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

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 areas where judgements and estimates are made are effective interest rates (EIR) as disclosed in note 3 and impairment (gains)/losses on loans and advances to customers as disclosed in note 9.

3 Interest receivable and similar income

	2014 £'000	2013 £'000
Mortgage interest receivable	857,598	818,558
Interest receivable from parent undertaking	9	1,020
Interest received on corporation tax overpaid	188	-
	857,795	819,578

Mortgage interest receivable includes £8 million (2013: £6 million) of interest accrued on loans three or more months in arrears; £1 million (2013: £2 million) which has resulted from an update of the Group's effective interest rate assumptions with respect to the recognition of mortgage fee income; and £0.4 million (2013: £0.7 million) relating to the unwind of discount on impairment provisions.

Critical accounting estimates and judgements

The Company uses the EIR method to recognise income from mortgage loans held at amortised cost.

To calculate the appropriate EIR recognition the Company makes assumptions of the expected lives of loans and advances to customers and the level of income to be recognised, including the anticipated level of early redemption charges for residential mortgages. Certain fees in relation to residential mortgages are recognised over the deal period to which they relate.

The impact of a one year change in the expected lives assumption would be a £4 million (2013: £3 million) change to the value of the loans. The impact of a 10% change in the anticipated level of future early redemption charges would be a change to the value of the loans of £0.9 million (2013: £0.6 million).

4 Interest expense and similar charges

	2014 £'000	2013 £'000
Interest payable to parent undertaking	656,721	698,499
Interest paid on corporation tax underpaid	2	-
	656,723	698,499

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****5 Fee and commission income**

	2014 £'000	2013 £'000
Mortgage related fees	4,265	3,344
Mortgage administration fees from Group companies	3,117	3,321
General insurance fees	257	868
	7,639	7,533

6 Other operating income

	2014 £'000	2013 £'000
Rental income	393	568
Other	9	7
	402	575

7 Administrative expenses

	2014 £'000	2013 £'000
Administrative expenses include:		
Recharge from parent undertaking	20,851	22,821
Property related costs	430	583
Postage and communications	107	43
Computer costs	3	21
Marketing and advertising	35	6
Money transmission and other bank costs	303	567
Legal and professional	531	321
Auditors remuneration – audit services	63	61
Travel and accommodation costs	346	186
Depreciation	8	15
Other	958	594
	23,635	25,218

Included within the recharge from parent undertaking is £10.0 million (2013: £9.3 million) relating to the utilisation of staff resources of the parent undertaking.

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

8 Remuneration of directors

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

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****9 Impairment (gains)/losses on loans and advances to customers**

The following provisions have been deducted from the appropriate asset values in the balance sheet:

2014	Residential mortgages		
	Individual	Collective	Total
	£'000	£'000	£'000
At 1 April	14,615	22,290	36,905
Impairment loss/(gain) for the year	1,134	(8,285)	(7,151)
Amounts written off during the year	(10,518)	-	(10,518)
Amounts recovered during the year	1,887	-	1,887
Unwind of discount	(400)	-	(400)
At 31 March	6,718	14,005	20,723

2013	Residential mortgages		
	Individual	Collective	Total
	£'000	£'000	£'000
At 1 April	23,023	27,063	50,086
Impairment loss/(gain) for the year	4,540	(4,773)	(233)
Amounts written off during the year	(12,985)	-	(12,985)
Amounts recovered during the year	737	-	737
Unwind of discount	(700)	-	(700)
At 31 March	14,615	22,290	36,905

Critical accounting estimates and judgements

In accordance with the accounting policy described in note 1, the impairment is measured as the difference between the asset's carrying amount and the present value of management's estimate of future cash flows.

Key assumptions included in the measurement of the impairment include the probability of any account going into default, the probability of defaulted accounts progressing to possession and the eventual loss incurred in the event of forced sale or write off. These assumptions are based on observed historical data and updated as management considers appropriate to reflect current conditions and the Company's strategy for the book. The accuracy of the impairment provision would therefore be affected by unexpected changes in these assumptions.

To the extent that actual cash flows in relation to retail loans and advances differ from those estimated by 10%, the impairment provision would change by an estimated £4.5 million (2013: £6.9 million). For residential mortgages the estimate of future House Price Index (HPI) movements is also a key assumption in estimating the eventual loss. No account has been taken of projected future HPI increases in establishing provisions. Where actual future HPI is 5% higher or lower than the current assumption, the ultimate provisions required will differ by an estimated £2.2 million (2013: £3.4 million).

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****10 Taxation**

	2014 £'000	2013 £'000
Current tax:		
UK corporation tax	44,183	24,873
Adjustments in respect of prior years	-	285
Total current tax	44,183	25,158
Deferred tax:		
Current year	122	135
Adjustment in respect of prior years	-	52
Effect of corporation tax rate change	18	8
Total deferred tax	140	195
Taxation	44,323	25,353

The current tax charge includes £2 million (2013: £23 million) 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 before tax	192,629	104,204
Tax calculated at a rate of 23% (2013: 24%)	44,305	25,009
Income not taxable for tax purposes	-	(1)
Adjustments in respect of prior years	-	337
Effect of corporation tax rate change	18	8
Taxation	44,323	25,353

11 Dividends

No dividends were proposed or approved during the year (2013: approved £25.0 million) in respect of 38,000,000 (2013: 38,000,000) ordinary shares of £1 in the Company (2013: £0.66 per share).

12 Amounts due from parent undertaking

Amounts due from parent undertaking of £499,000 (2013: £5,191,000) are held on deposit with Nationwide Building Society at normal commercial rates and are repayable on demand.

Further details are provided in note 23.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

13 Loans and advances to customers

Loans and advances to customers relate solely to residential mortgages.

The remaining maturity of loans and advances to customers from the balance sheet date is as follows:

	2014 £'000	2013 £'000
In not more than three months	34,480	18,486
In more than three months but not more than one year	33,177	29,957
In more than one year but not more than five years	755,785	619,436
In more than five years	20,131,808	18,613,936
	20,955,250	19,281,815
Impairment provision	(20,723)	(36,905)
	20,934,527	19,244,910

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.

14 Investments in subsidiary undertakings

The interests of the Company in its subsidiary undertakings, Exeter Trust Limited and Confederation Mortgage Services Limited, as at 31 March 2014 are set out below:

100% subsidiary undertakings	Nature of business
Exeter Trust Limited	Dormant
Confederation Mortgage Services Limited	Provision of residential mortgages

The above subsidiary undertakings are limited liability companies, which are registered in England and Wales.

Neither of the above subsidiary undertakings are actively trading. The investment in Confederation Mortgage Services Limited (CMS) was £1 at both 31 March 2014 and 31 March 2013. The investment in Exeter Trust Limited (ETL) was £1 at both 31 March 2014 and 31 March 2013.

For CMS the Nationwide Group has adopted the audit exemptions under Section 479A of the Companies Act 2006 which became available in the Department for Business Innovation & Skills (BIS) regulations published in September 2012. In order to fulfil the requirements of these regulations the Nationwide Building Society guarantees all outstanding liabilities of the exempted subsidiary undertakings in respect of the year ended 31 March 2014.

ETL was entitled to exemption from audit under Section 480 of the Companies Act 2006 relating to dormant companies for the year ended 31 March 2014.

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****15 Equipment, fixtures and fittings**

	2014	2013
	£'000	£'000
Cost		
At 1 April	58	236
Disposals	(58)	(178)
At 31 March	-	58
Accumulated depreciation		
At 1 April	42	205
Depreciation charge	8	15
Disposals	(50)	(178)
At 31 March	-	42
Net book value		
At 31 March	-	16

16 Deferred tax assets

	2014	2013
	£'000	£'000
At 1 April	432	638
Statement of comprehensive income charge	(122)	(187)
Effect of corporation tax rate change through statement of comprehensive income	(18)	(8)
Effect of corporation tax rate change through reserves	(17)	(11)
At 31 March	275	432

Deferred tax assets are attributable to the following items:

	2014	2013
	£'000	£'000
Transitional tax adjustment on adoption of IFRS	145	255
Equipment, fixtures and fittings timing differences	130	177
	275	432

Deferred tax assets are anticipated to be recoverable after 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 asset.

The deferred tax charge in the statement of comprehensive income comprises the following temporary differences (note 10).

	2014	2013
	£'000	£'000
Equipment, fixtures and fittings timing differences	47	41
Transitional tax adjustment on adoption of IFRS	93	98
Other	-	56
	140	195

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****16 Deferred tax assets (continued)**

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.

17 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:

	2014 £'000	2013 £'000
On demand	13,867,854	13,306,573
In not more than three months	691,562	833,840
In more than three months but not more than one year	1,597,903	2,046,864
In more than one year but not more than five years	4,380,582	2,754,456
In more than five years	4,748	33,386
	20,542,649	18,975,119

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

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

Further details of transactions with the parent undertaking are provided in note 23.

18 Provisions for liabilities and charges

	2014 £'000	2013 £'000
At 1 April	160	210
Provision utilised	(24)	(50)
Release for the year	(136)	-
At 31 March	-	160

This provision related to an onerous lease contract (see note 20).

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****19 Share capital**

	2014 £'000	2013 £'000
Authorised:		
50,000,000 shares of £1 each	50,000	50,000
Issued and fully paid:		
38,000,000 shares of £1 each	38,000	38,000

20 Leasing

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

	2014 £'000	2013 £'000
Amounts falling due:		
Within one year	-	530
Between one and five years	-	801
	-	1,331

	2014 £'000	2013 £'000
Subleasing payments receivable under non-cancellable subleases	-	1,156

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

	2014 £'000	2013 £'000
Amounts falling due:		
Within one year	-	480
Between one and five years	-	676
	-	1,156

The operating lease was disposed of in November 2013.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

21 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
Lending	The risk that a borrower or counterparty fails to pay interest or to repay principal on a loan or other financial instrument (e.g. a bond) on time. Lending risk also encompasses extension risk and concentration risk.
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.
Customer and compliance	The risk that the organisation fails to design and implement operational arrangements, systems and controls such that it can maintain legal and regulatory compliance, deliver fair customer outcomes and achieve a positive experience for customers.
Strategic	The risk of significant loss or damage arising from business decisions that impact the long-term interests of the membership, or from an inability to adapt to external developments.

In addition to these principal categories of risk, model risk, which the Company is exposed to, is managed under a separate framework across all risk categories and business areas where risk models are used.

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

Top emerging risks

The current economic environment poses three main risks to the Company's continuing ability to manage financial and lending risks – the housing price bubble bursting, resurgent competition and wider global financial developments. The potential impacts are as follows:

- The housing price bubble bursting, accompanied by a reversal in the UK economy, could increase credit losses significantly.
- Resurgent competition could squeeze core margins below sustainable levels.
- Wider global financial developments, for example the re-emergence of tensions within the Eurozone, might increase funding costs.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

21 Risk management and control (continued)

Principal risks (continued)

Evolving with the new regulatory environment

Dealing with regulation is an unavoidable part of running a modern financial institution. At Group level, the Group's business model and member focus puts it in a good position to meet the regulator's expectations of conduct and the Group has seen proportionately less enforcement action and customer redress than its competitors. There are two key areas in the regulatory environment that pose a risk to achievement of the Group's goals:

- Increasing standards for conduct could restrict the Group's channels, services or proposition.
- Regulatory standards, for example the minimum leverage ratio, could increase.

Further analysis of the impact can be found within the Business and Risk Report of the Group Annual Report and Accounts.

Lending risk

Lending risk is defined as the risk that a borrower or counterparty fails to pay the interest or to repay the principal on a loan. Lending risk arises from residential mortgages.

Lending risk includes all aspects of credit risk including concentration risk and extension risk.

Lending risk is managed at Group level. Comprehensive credit risk management methods and processes are established as part of the Group's overall governance framework to measure, mitigate and manage credit risk within its risk appetite. The Group maintains a conservative approach to risk, the Group's lending risk portfolios are managed within concentration limits and are subjected to stress testing and scenario analysis to simulate potential outcomes and calculate their associated impact.

Impairment charges and provisions have reduced reflecting increases in the House Prices Index (HPI), the Group's prudent underwriting discipline and its approach to managing cases individually. The sections below provide greater detail on credit concentrations and performance of the book.

Credit risk

The Company's maximum credit risk exposure at 31 March 2014 was £21,823.0 million (2013: £19,964.6 million) which includes the carrying value of all financial assets and commitments. These commitments represent agreements to lend in the future, subject to certain conditions. Such commitments are cancellable by the Company, subject to notice requirements, and given their nature are not expected to be drawn down to the full level of exposure.

All cash due from banks is deposited with investment grade UK high street banks.

The Company's loans and advances to customers are residential mortgages which continue to have a low risk profile when compared to industry benchmarks. The composition of lending has remained broadly consistent over the year.

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****21 Risk management and control (continued)****Lending risk (continued)****Credit risk (continued)**

By their nature, the Company's residential mortgages comprise a large number of smaller loans which are broadly homogenous and have low volatility of credit risk outcomes and are intrinsically highly diversified.

The Company's residential mortgages are analysed as follows:

	2014	2013
	£'000	£'000
Buy to let	18,359,631	16,118,690
Prime	1,044,744	1,499,474
Self cert	1,055,653	1,136,167
Near prime	448,954	478,648
Sub prime	46,268	48,836
	20,955,250	19,281,815

The figures above are before impairment provisions.

Residential mortgages are only secured on UK properties. The geographical split has not changed significantly over the year ended 31 March 2014 and is shown below:

Geographical concentration	2014	2013
	%	%
Greater London	34	33
Northern England	19	19
Central England	18	18
South East England (excluding London)	12	12
South West England	9	10
Scotland	4	4
Wales & Northern Ireland	4	4
	100	100

Loan to value

The quality of residential mortgages continues to be satisfactory. This is demonstrated by the average indexed loan to value (LTV) on a volume basis of loans secured on residential property which at 31 March 2014 was 63% (2013: 67%). For the LTV calculation, the value of residential property is updated on a monthly basis to reflect changes in the Nationwide House Price Index (HPI).

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****21 Risk management and control (continued)****Lending risk (continued)****Credit risk (continued)**

The total mortgage book as at 31 March 2014 is analysed by LTV band in the tables below, along with an analysis of gross new residential lending during the year by borrower type:

Analysis calculated on a volume (i.e. number of cases) basis	2014	2013
	%	%
LTV%		
<70%	59	43
70 – 80	34	38
80 – 90	5	14
90 – 100	2	3
>100%	-	2
	100	100
Average loan to value of stock (indexed)	63	67
Average loan to value of new business	68	68

New business profile:

First time buyers	-	-
Home movers	-	1
Remortgages	-	-
Buy to let	100	99
	100	100

Analysis calculated on a value basis	2014	2013
	%	%
LTV%		
<70%	61	41
70 – 80	30	38
80 – 90	7	14
90 – 100	2	5
>100%	-	2
	100	100
Average loan to value of stock (indexed)	64	70
Average loan to value of new business	68	69

New business profile:

First time buyers	-	-
Home movers	-	1
Remortgages	-	-
Buy to let	100	99
	100	100

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

21 Risk management and control (continued)

Lending risk (continued)

Credit risk (continued)

The new business profile and average loan to value of new business above excludes further advances.

Impaired loans

Performance of the mortgage book has remained strong with the number of residential mortgages three or more months in arrears as a proportion of total mortgages reducing to 0.56% (2013: 0.57%). This compares favourably with the Council of Mortgage Lenders' (CML) industry average of 1.59% (2013: 1.89% restated by CML). The number of borrowers in possession of 103 (2013: 94) represents 0.05% of the total portfolio (2013: 0.05%).

Impaired and non-performing loans are identified by arrears status. Impaired accounts are those defined as greater than or equal to three months in arrears, and also include accounts subject to possession, litigation and bankruptcy where arrears are greater than or equal to one month. Non-performing accounts represent those which are past due but not yet impaired.

Individual impairment provisions are assigned to accounts in possession and a collective provision is assigned to all other accounts to estimate incurred but not identified losses. Impaired mortgages are further analysed as follows:

	2014		2013	
	£'000	%	£'000	%
Not impaired				
Neither past due nor impaired	20,316,924	96.9	18,543,759	96.2
Past due up to 3 months but not impaired	439,874	2.1	519,538	2.7
Impaired				
Past due 3 to 6 months	85,500	0.4	84,410	0.4
Past due 6 to 12 months	55,773	0.3	61,593	0.3
Past due over 12 months	37,332	0.2	40,525	0.2
Possessions	19,847	0.1	31,990	0.2
	20,955,250	100.0	19,281,815	100.0

The status past due up to three months but not impaired includes any asset where a payment due is received late or missed. The amount represents the entire financial asset rather than just the payment overdue. Loans on interest only or payment holiday concessions are initially categorised according to their payment status as at the date of concession, with subsequent revisions to this category assessed against the terms of the concession.

Possession balances represent loans against which the Group has taken ownership of properties pending their sale. The Group's approach to dealing with customers in financial difficulty, combined with its historically cautious approach to lending, means that the Group only takes possession of properties as a last resort.

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****21 Risk management and control (continued)****Lending risk (continued)****Credit risk (continued)**

Collateral

Collateral held against past due or impaired residential mortgages is as follows:

	2014		2013	
	£'000	%	£'000	%
Past due but not impaired	439,581	100	518,242	100
Impaired	176,105	99	184,534	99
Possessions	18,058	91	26,796	84
	633,744	99	729,572	99

Collateral held in relation to residential mortgages that are either past due or impaired is capped to the amount outstanding on an individual loan basis. The percentage, in the table above, is the cover over the value of the asset.

Negative equity on residential mortgages is shown below:

	2014	2013
	£'000	£'000
Past due but not impaired	293	1,296
Impaired	2,500	1,994
Possessions	1,789	5,194
	4,582	8,484

Managing credit risks

Credit risk is managed at a Group level. The Group's approach is to reduce credit risk through sound underwriting. However, at times, despite this customers do face financial difficulty and in these cases the Group seeks to find a solution to mitigate losses to the Group and to support residential mortgage customers. The options offered to customers are classified into three categories:

- Change in terms
- Forbearance
- Repair.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

21 Risk management and control (continued)

Lending risk (continued)

Credit risk (continued)

Managing credit risks (continued)

Change in terms

Changes in terms relate to a concession or permanent change, which results in amended monthly cash flows. The option available is an interest only conversion.

Interest only conversions allowed performing customers who met certain criteria to apply for an interest only conversion, normally reducing their monthly commitment. Following tightening of the Group's policy, the facility was completely withdrawn in March 2012, although a temporary interest only arrangement may be available under forbearance. The performance of interest only conversions is in line with that of the wider portfolio and therefore no adjustment is made to the Group's provisioning methodology for these loans.

Forbearance

The only forbearance option which the Group offers customers in financial distress is an interest only concession. Interest only concessions are offered to customers on a temporary basis with formal periodic review subject to an affordability assessment. The concession allows the customer to reduce monthly payments to cover interest only, typically for six months, and if made, the arrears status of the account will not increase, and will remain as at the beginning of the concession.

Repair

When a customer emerges from financial difficulty, the Company offers the ability to capitalise arrears, resulting in the account being repaired. Customers are only permitted to capitalise arrears where they have demonstrated their ability to meet a repayment schedule at normal commercial terms for a continuous six month period, or if they are able to overpay such that six months' payments are made in a four month period. During the year no accounts (2013: 2 accounts) had an arrears capitalisation. Once capitalised, loans are categorised as not impaired as long as contractual repayments are maintained.

Outlook for residential mortgage credit risk

The Mortgage Market Review (MMR) published by the Financial Conduct Authority required all mortgage lenders to enhance responsible lending controls for mortgages by 26 April 2014, to ensure that the mortgages are affordable and thus minimise the risk of detrimental outcomes for customers. While responsible lending is already central to the Company's lending policy, the Company has made changes to its systems and processes ahead of the regulatory deadline. These include the introduction of a more comprehensive and customer specific affordability assessment for both new mortgages and for significant changes to existing mortgage contracts. The current non-advised sales process will also be withdrawn and all mediated sales, i.e. face to face and telephone, will be subject to regulation as it constitutes an advisory sale.

21 Risk management and control (continued)

Lending risk (continued)

Credit risk (continued)

Outlook for residential mortgage credit risk (continued)

The housing market has gathered pace, particularly in the second half of the year, both in activity and growth in house prices. This growth is particularly evident in London and is expanding into surrounding areas, with many other regions seeing more subdued growth. The Company has a limited exposure to the areas of London which have shown the most volatile movements. At Group level, analysis of new lending within these areas shows that key risk metrics (such as LTV and income multiples) have remained relatively stable during this growth period. At this stage the Group does not see signs of affordability being stretched but will keep the matter under close review. However, the Group is conscious that Government policies, the low interest rate environment and a significant flow of overseas buyers currently stimulate the housing market. The Group therefore actively monitors the risk that these conditions may reverse, increasing credit losses in its mortgage books and depressing the wider economy.

Financial risk

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

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

Liquidity and funding risk

Liquidity risk is the risk that the Company is unable to:

- to meet or settle its financial obligations as they fall due
- maintain public and stakeholder confidence.

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

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 Company ensures it has sufficient resources to meet day-to-day cash flow needs and to meet internal and regulatory liquidity requirements. These requirements are calibrated to ensure the Company has sufficient liquidity, both as to amount and quality, to meet financial obligations as they fall due during a range of stress scenarios across multiple risk drivers and time horizons.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

21 Risk management and control (continued)

Liquidity and funding risk (continued)

Immediate funding for the Company is provided by the Parent who manages the funding needs of the Group. 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 table below segments the carrying value of financial assets and financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date (residual maturity). In practice, customer assets may be repaid ahead of their contractual maturity. Therefore, for forecasting purposes, the Company uses judgement and past performance of each asset and liability class to anticipate likely cash flow requirements of the Company.

At 31 March 2014— Residual maturity	Repayable on demand £'000	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	More than 5 years £'000	Total £'000
Financial assets						
Cash due from banks	15,129	-	-	-	-	15,129
Amounts due from parent undertaking	499	-	-	-	-	499
Loans and advances to customers	-	34,480	33,177	755,785	20,111,085	20,934,527
Total financial assets	15,628	34,480	33,177	755,785	20,111,085	20,950,155
Financial liabilities						
Amounts owed to parent undertaking	13,867,854	691,562	1,597,903	4,380,582	4,748	20,542,649
Total financial liabilities	13,867,854	691,562	1,597,903	4,380,582	4,748	20,542,649
Net liquidity gap	(13,852,226)	(657,082)	(1,564,726)	(3,624,797)	20,106,337	407,506

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

21 Risk management and control (continued)

Liquidity and funding risk (continued)

Maturity of liquidity assets and liabilities (continued)

At 31 March 2013 – Residual maturity	Repayable on demand £'000	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	More than 5 years £'000	Total £'000
Financial assets						
Cash due from banks	17,851	-	-	-	-	17,851
Amounts due from parent undertaking	5,191	-	-	-	-	5,191
Loans and advances to customers	-	18,486	29,957	619,436	18,577,031	19,244,910
Total financial assets	23,042	18,486	29,957	619,436	18,577,031	19,267,952
Financial liabilities						
Amounts owed to parent undertaking	13,306,573	833,840	2,046,864	2,754,456	33,386	18,975,119
Total financial liabilities	13,306,573	833,840	2,046,864	2,754,456	33,386	18,975,119
Net liquidity gap	(13,283,531)	(815,354)	(2,016,907)	(2,135,020)	18,543,645	292,833

The analysis above excludes non-financial assets and non-financial liabilities.

The following is an analysis of gross undiscounted contractual cash flows payable under financial liabilities. The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates for the average period until maturity, on the amounts outstanding at the balance sheet date.

Gross contractual cash flows – 31 March 2014	Repayable on demand £'000	Up to 3 months £'000	3 - 12 months £'000	1 - 5 years £'000	More than 5 years £'000	Total £'000
Amounts due to parent undertaking	13,867,854	699,196	1,616,664	4,422,946	4,805	20,611,465
Gross contractual cash flows	13,867,854	699,196	1,616,664	4,422,946	4,805	20,611,465
Off balance sheet commitments	-	872,857	-	-	-	872,857
Gross contractual cash flows – 31 March 2013	Repayable on demand £'000	Up to 3 months £'000	3 - 12 months £'000	1 - 5 years £'000	More than 5 years £'000	Total £'000
Amounts due to parent undertaking	13,306,573	840,306	2,060,942	2,782,245	33,797	19,023,863
Gross contractual cash flows	13,306,573	840,306	2,060,942	2,782,245	33,797	19,023,863
Off balance sheet commitments	-	696,622	-	-	-	696,622

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

21 Risk management and control (continued)

Market risk

The main market risk faced by the Company is interest rate risk, this 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.

Interest rate risk

Interest rate risk arises from the mortgages that the Company offers. The Company largely offsets interest rate risks by matching funding from the Group to lending, the remaining net exposure to interest rate risk is managed on a continuous basis, within parameters set at Group level by Assets and Liabilities Committee (ALCO), using a combination of derivatives and balance sheet instruments (such as loans, deposits and bonds). Further details of the Group's interest rate risk monitoring processes are included in the Business and Risk Report of the Group Annual Report and Accounts.

Exposure to interest rate risk is not a material risk to the Company. Consequently individual sensitivity analysis has not been performed.

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.

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.

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Notes to the financial statements for the year ended 31 March 2014 (continued)

21 Risk management and control (continued)

Customer and compliance risk

Overview

The Company defines 'customer and compliance risk' as the risk that the organisation fails to design and implement operational arrangements, or systems and controls, such that it cannot maintain legal and regulatory compliance, deliver fair customer outcomes or achieve a positive experience for its customers. The definition is further defined into six risk sub-categories:

Risk category	Definition
Firm and culture	The risk that the Company fails to implement operational arrangements, systems and controls that achieve legal and regulatory compliance and embed a corporate culture where fair customer outcomes and the achievement of a positive experience are central to the Company's values and behaviours.
Customer experience	The risk that the Company's customers do not have a positive experience.
Retail conduct	The risk that the Company's products and services (including contracts and terms and conditions) are not designed, developed and operated to deliver fair customer outcomes and compliance.
Wholesale conduct	This is managed at a Group level and is the risk that the Group's commercial and financial markets activity is inappropriate and/or does not comply with regulatory requirements.
Prudential standards	The risk that the design and operation of the Company's systems and controls fails to maintain compliance with prudential requirements.
Financial crime	The risk that the Company fails to establish effective systems and controls to prevent the risk that it might be used to further financial crime.

Significant events/environment

In recent years, issues associated with non-compliant processes and failures to meet legitimate expectations of customers have proven to be significant source of cost for the industry. The industry will continue to evolve as it responds to the volume and scale of regulation it will experience in the coming years, while also delivering products and services that meet the demands of the Digital Society. The ongoing focus of good consumer outcomes in this environment will remain a key area of risk for the industry.

Further details of the management of customer and compliance risk at a Group level can be found in the Group Annual Report and Accounts.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

21 Risk management and control (continued)

Strategic risks

Strategic risk is split into the following sub-categories:

Risk category	Definition
Business model	The risk associated with failing to adopt an appropriate business model, set appropriate goals and targets in the Corporate Plan, or adapt to external developments.
Reputation	The risk that arises from material adverse publicity resulting in a loss of confidence from key stakeholders sufficient to threaten the strategic objectives of the business.
Strategic initiatives	The risk that the Company enters into strategic initiatives that undermine the business model, or does not enter into appropriate strategic initiatives that would enhance the business model.

Strategic risk focuses on large, longer term risks that could become a material problem for the Company and is managed at a Group level. Whilst all business areas are responsible for managing their own risks, management of strategic risk is primarily the responsibility of senior management and committees whose remit encompasses all the risk categories on a Group-wide combined basis.

Further details of the management of strategic risk at a Group level can be found in 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:

Risk category	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.

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.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

22 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 measured at amortised cost on the Company's balance sheet.

2014	Carrying value £'000	Fair values based on Level 1 £'000	Fair values based on Level 3 £'000	Total fair value £'000
Financial assets				
Loans and advances to customers	20,934,527	-	20,065,284	20,065,284
Amounts due from parent undertaking	499	-	499	499
Cash due from banks	15,129	15,129	-	15,129
Financial liabilities				
Amounts owed to parent undertaking	20,542,649	-	20,588,262	20,588,262
2013	Carrying Value £'000	Fair values based on Level 1 £'000	Fair values based on Level 3 £'000	Total fair value £'000
Financial assets				
Loans and advances to customers	19,244,910	-	18,059,044	18,059,044
Amounts due from parent undertaking	5,191	-	5,191	5,191
Cash due from banks	17,851	17,851	-	17,851
Financial liabilities				
Amounts owed to parent undertaking	18,975,119	-	19,018,988	19,018,988

Loans and advances to customers

In adopting the requirements of IFRS 13, the Company has reviewed and modified its approach to the fair value disclosures for financial assets and liabilities measured at amortised cost on the balance sheet in line with the guidance in the standard to reflect a hypothetical exit price as indicated by the standard, valued on an asset by asset basis, with no liquidity discount.

The change in relationship between carrying value and fair value compared to last year is principally due to the change in valuation methodology. IFRS 13 is not retrospective in application and the Company has not restated the position at 31 March 2013. Whilst figures for the year have not been restated, it is estimated that if this methodology had been applied at 31 March 2013, the reported fair value would have been lower than reported and broadly consistent with the relationship between carrying value and fair value at 31 March 2014.

In arriving at the fair value of loans and advances to customers, the Company uses consistent modelling techniques across the different loan books, taking into account expected future cash flows and future lifetime expected losses, based on historic trends and discount rates appropriate to the loans. Variable rate loans are modelled on estimated future cash flows, discounted at current market interest rates. Variable rate retail mortgages are discounted at the currently available market standard variable interest rate (SVR).

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

22 Fair value of financial assets and liabilities measured at amortised cost (continued)

Loans and advances to customers (continued)

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

Amounts owed to parent undertakings

The estimated fair value of variable rate loans to parent undertakings is equal to the carrying value of the loans as the current interest rates charged are considered to be equal to market rates. The estimated fair value of fixed rate loans to parent undertakings is calculated based on expected customer behaviour on fixed rate lending and expected future customer loan repayment profiles. The Company takes out fixed rate borrowing from the Group to finance fixed rate lending to customers. Therefore fixed rate lending and borrowing are matched.

23 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 with related parties arise in the normal course of business. Interest on loans and deposits accrues at a transfer price rate agreed between the Society and its subsidiary undertakings.

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

	2014	2013
	£'000	£'000
At 1 April	18,975,119	17,159,129
Loan advances	4,740,000	4,368,804
Loan maturities	(2,922,498)	(2,134,559)
Decrease in other liabilities	(249,972)	(418,255)
At 31 March	20,542,649	18,975,119

During the year £656.7 million (2013: £698.5 million) of interest was charged on amounts due to the parent undertaking.

The parent undertaking also charged £20.9 million (2013: £22.8 million) in respect of shared services.

THE MORTGAGE WORKS (UK) PLC**Notes to the financial statements for the year ended 31 March 2014 (continued)****23 Related party transactions (continued)****Transactions with parent undertaking (continued)**

Movements on amounts due from the parent undertaking during the year are set out below:

	2014	2013
	£'000	£'000
At 1 April	5,191	129,471
Deposits issued	13,706	81,054
Deposit repayments	(18,398)	(205,334)
At 31 March	499	5,191

During the year £0.01 million (2013: £1.02 million) of interest was received on amounts due from the parent undertaking.

No dividends were proposed or approved during the year (2013: approved £25.0 million) in respect of 38,000,000 (2013: 38,000,000) ordinary shares of £1 in the Company (2013: £0.66 per share).

Transactions with subsidiary undertakings

Both Exeter Trust Limited and Confederation Mortgages Limited are 100% owned subsidiary undertakings of the Company. There were no transactions entered into with these entities during the year. Movements in Investments in these subsidiary undertakings are shown below;

	2014	2013
	£'000	£'000
Cost and net book value		
At 1 April	-	220
Disposals, redemptions and repayments	-	(220)
At 31 March	-	-

Further details of investments in subsidiary undertakings are shown in note 14.

Other related party transactions

Fee and commission income (see note 5) includes £3.1 million (2013: £3.3 million) received from fellow subsidiary undertakings of Nationwide Building Society in relation to the administration of mortgage books.

THE MORTGAGE WORKS (UK) PLC

Notes to the financial statements for the year ended 31 March 2014 (continued)

24 Capital management

Capital comprises 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 Capital Management Report in the Business Review of the Group Annual Report and Accounts, which can be obtained from the address below or at **nationwide.co.uk**

25 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**.