

Newcastle Financial Services Limited
Report and financial statements
for the year ended 31 December 2013

Registered number: 4509702

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Newcastle Financial Services Limited
Report and financial statements
for the year ended 31 December 2013
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Newcastle Financial Services Limited

Directors and advisers for the year ended 31 December 2013

Directors

S Dodson

S Urwin

A M Russell

Company secretary

I Good

Registered office

Newcastle Building Society

Portland House

New Bridge Street

Newcastle upon Tyne

NE1 8AL

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

Bankers

Barclays Bank plc

Percy House

Percy Street

Newcastle upon Tyne

NE1 4QL

Newcastle Financial Services Limited

Directors' report for the year ended 31 December 2013

The directors present their report and audited financial statements of the company for the year ended 31 December 2013.

Registered number

4509702

Principal activities

The principal activity of the company is the provision of financial planning services.

Results and dividends

The results for the year have been set out on page 6. A dividend of £31,000 per share, totalling £3,100,000 was paid during the year ended 31 December 2013 (2012 £Nil).

Directors

The directors of the company, who held office during the year and up to the date of signing the financial statements are listed below:

M Noone (resigned 15 November 2013)

S Dodson (appointed 15 November 2013)

S Urwin

A M Russell

Statement of directors' responsibilities

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

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

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

Newcastle Financial Services Limited

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.

Disclosure of information to auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- (b) each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



A M Russell

Director

29 August 2014

Newcastle Financial Services Limited

Independent auditors' report to the members of Newcastle Financial Services Limited

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 December 2013 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 Newcastle Financial Services Limited, comprise:

- the balance sheet as at 31 December 2013;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the statement of accounting policies; and
- The notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Report and financial statements for the year ended 31 December 2013 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.

Opinion on other matter prescribed by the Companies Act 2006

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

Newcastle Financial Services Limited

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report nor take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

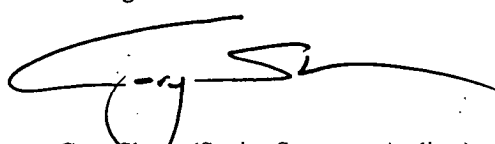
Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 2-3, 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.



Gary Shaw (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne

29 August 2014

Newcastle Financial Services Limited

Statement of comprehensive income for the year ended 31 December 2013

	Note	2013 £	2012 £
Revenue	1	2,922,410	3,463,116
Cost of sales		(1,561,126)	(2,681,678)
Gross profit		1,361,284	781,438
Administrative expenses		(168,521)	(559,663)
Profit before taxation	2	1,192,763	221,775
Taxation	5	(276,086)	999,375
Profit attributable to equity owners of the company		916,677	1,221,150
Total comprehensive income for the year		916,677	1,221,150

Newcastle Financial Services Limited

Balance sheet as at 31 December 2013

	Note	2013 £	2012 £
Assets			
Non-current assets			
Property, plant and equipment	6	6,778	30,274
Current assets			
Receivables	7	3,064,041	5,295,082
Cash and cash equivalents	8	224,212	197,221
Deferred Tax Asset	10	4,132	16,654
Total assets		3,299,163	5,539,231
Liabilities			
Current liabilities			
Payables	9	(3,207,959)	(3,264,314)
Non-current liabilities			
Deferred tax	10	-	(390)
Total liabilities		(3,207,959)	(3,264,704)
Net assets		91,204	2,274,527
Equity			
Capital and reserves attributable to equity shareholders of the company:			
Ordinary shares	11	100	100
Retained earnings		91,104	2,274,427
Total equity		91,204	2,274,527

The financial statements on pages 6 to 19 were approved by the board of directors and were signed on its behalf by:



A M Russell
Director
 29 August 2014

Newcastle Financial Services Limited

Cash flow statement for the year ended 31 December 2013

	Note	2013 £	2012 £
Cash flows used in operating activities			
Cash generated /(used) in operations		3,131,867	(12,595)
Net cash generated/(used) in operating activities		3,131,867	(12,595)
Cash flows used in investing activities			
Purchase of property, plant and equipment		(4,876)	(1,222)
Net cash used in investing activities		(4,876)	(1,222)
Cash flows used in financing activities			
Dividend paid		(3,100,000)	-
Net cash used in financing activities		(3,100,000)	-
Net increase/(decrease) in cash and cash equivalents		26,991	(13,817)
Cash and cash equivalents at start of year	8	197,221	211,038
Cash and cash equivalents at end of year	8	224,212	197,221

Note to the cash flow statement for the year ended 31 December 2013

Cash generated/(used) in operations

	2013 £	2012 £
Profit before taxation	1,192,763	221,775
Adjustments for:		
Depreciation	28,372	5,733
Decrease/(Increase) in receivables	2,231,041	(843,751)
(Decrease)/Increase in trade payables	(320,309)	603,648
Cash generated/(used) in operations	3,131,867	(12,595)

Newcastle Financial Services Limited

Statement of changes in equity for the year ended 31 December 2013

	Ordinary shares £	Retained earnings £	Total equity £
Balance at 1 January 2013	100	2,274,427	2,274,527
Profit and total comprehensive income for the year	-	916,677	916,677
Dividend paid	-	(3,100,000)	(3,100,000)
Balance at 31 December 2013	100	91,104	91,204

Statement of changes in equity for the year ended 31 December 2012

	Ordinary shares £	Retained earnings £	Total equity £
Balance at 1 January 2012	100	1,053,277	1,053,377
Profit and total comprehensive income for the year	-	1,221,150	1,221,150
Dividend paid	-	-	-
Balance at 31 December 2012	100	2,274,427	2,274,527

Newcastle Financial Services Limited

Statement of accounting policies

The company is incorporated and domiciled in the UK. The address of the registered office is Portland House, New Bridge Street, Newcastle upon Tyne, NE1 8AL.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Deferred taxation

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 average tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Revenue

Revenue represents net commission receivable for the company's principal activity, net of value added tax. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is recorded in the accounting period to which it relates using the accruals method.

Dividends

Final dividend distribution to the company's parent company, Newcastle Building Society is recognised in the period in which the dividend is declared and paid.

Segmental reporting

The directors of the company consider that the company has one geographical and business segment and therefore is not required to produce additional segmental disclosure. All the activities of the company fall into the principal activities as stated within the directors' report. The activities arise wholly in the United Kingdom.

Pensions

Employees are members of the Newcastle Building Society group pension plan, which operates a defined contribution scheme. The contributions into the defined contribution scheme are accounted for as they fall due for payment. The company's obligation is limited to the contributions payable and not the benefits receivable by employees.

Newcastle Financial Services Limited

Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment. Historical cost includes expenditure which is directly attributable to the acquisition of the item.

Depreciation is provided at rates calculated to write down the assets to their estimated residual values over the course of their anticipated useful lives on the following bases:

Equipment, fixtures and fittings - 20% per annum

Cash and cash equivalents

Cash and cash equivalents comprise cash held on current account.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity.

Accounting Developments

At the date of approval of these financial statements the following new and amended International Financial Reporting Standards are mandatory for the first time for the financial year beginning 1 January 2013.

- IAS 1 Presentation of Items of Other Comprehensive Income- retains the 'one or two statement' approach, requiring separate subtotals for those elements which may be 'recycled' and those elements that will not.
- IFRS 1 Government Loans- accounting for Government support. Not applicable to the company.
- IFRS 7 Financial Instruments: Disclosures – these amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. Not applicable to the company.
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements- creates a new, and broader, definition of control than under the previous IAS 27. Not applicable to the company.
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures- represents a significant change for parties currently accounting for interests in jointly controlled entities using proportionate consolidation. Not applicable to the company.
- IFRS 12 Disclosures of Interests in Other Entities- sets out the disclosure requirements in respect of IFRS 10 and IFRS 11.
- IFRS 13 Fair Value Measurement - describes how to measure fair value where fair value is required or permitted by IFRS.
- IAS 19 Employee Benefits (Revised) - amendments which represent a significant further step in reporting gains and losses outside of profit and loss, with no subsequent recycling. Actuarial remeasurements will be recognised immediately in other comprehensive income. Not applicable to the company; and
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine- applies to waste disposal functions. Not applicable to the company.

Developments not effective at 31 December 2013:

There are a number of new or amended standards which become effective in 2014, and beyond, which allow for early adoption but the Company is not taking up any of those standards before their mandatory date.

Newcastle Financial Services Limited

-IFRIC 21 Accounting for Levies- clarifies the trigger point for recognising a provision based on a government imposed levy as being the 'obligating event that triggers payment'. Not applicable to the company.

-IAS 32 Offsetting Financial Assets and Financial Liabilities – these amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency. Not applicable to the company.

-IAS 36 Recoverable amount disclosures for non financial assets- these amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable.

-IFRS 9 Financial instruments will supersede IAS 39 giving classification and measurement, impairment and hedge accounting requirements for financial instruments.

Newcastle Financial Services Limited

Notes to the financial statements for the year ended 31 December 2013

1 Revenue

All the activities of the company fall into the principal activity as stated within the directors' report. The activities to 31 December 2013 arise wholly in the United Kingdom.

2 Profit before taxation

Profit before taxation is stated after:	2013	2012
	£	£
Depreciation	28,372	5,733
Auditors' remuneration - audit services	13,750	13,750

3 Staff numbers and costs

	2013	2012
	Number	Number
The average monthly number of persons employed by the company during the year was:		
Principal office	8	7
Branches	22	30
	30	37

	2013	2012
	£	£
The aggregate payroll costs of these persons were:		
Wages and salaries	1,295,982	2,351,709
Social security costs	148,317	203,236
Other pension costs	116,827	120,999
	1,561,126	2,675,944

4 Directors emoluments

None of the directors received any emoluments for their services during the year (2012: £nil).

Newcastle Financial Services Limited

5 Taxation

Analysis of tax charge in the year

	2013 £	2012 £
Current tax		
Current year group relief	-	-
Group Relief Payable	282,730	-
Adjustments in respect of prior years	(18,776)	(981,255)
Total current tax	263,954	(981,255)
Deferred taxation		
Deferred tax movement	(5,197)	54,402
Adjustments in respect of prior years	16,654	(75,054)
Rate change	675	2,532
Total deferred tax (note 10)	12,132	(18,120)
Total taxation	276,086	(999,375)

The tax assessed for the year is higher (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%).

	2012 £	2,012 £
Profit before taxation	1,192,763	221,775
Profit before taxation at the standard rate of corporation tax in the UK of 23.5% (2012: 24.5%)	277,301	54,329
Expenses not deductible for tax purposes	232	73
Benefit of small companies tax rate	-	-
Adjustments in respect of prior years	(2,122)	(1,056,309)
Rate change	675	2,532
Total tax charge/(credit) for the year	276,086	(999,375)

Factors affecting future tax charges

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. A further reduction in this corporation tax rate effective on 1 April 2014 from 23% to 21% and on 1 April 2015 from 21% to 20% was substantively enacted for the purposes of IAS 12 on 17 July 2013. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 23.25% and deferred taxation has been calculated based on a rate of 21% on items that will unwind during 2014 and 20% on items that will unwind after 2014.

The impact of these changes is not expected to have a material effect on the financial statements.

There are no other factors which are expected to significantly affect the future tax.

Newcastle Financial Services Limited

6 Property, plant and equipment

	Equipment, fixtures and fittings £
Cost	
At 1 January 2013	148,396
Additions	4,876
At 31 December 2013	153,272
Accumulated depreciation	
At 1 January 2013	118,122
Charge for year	28,372
At 31 December 2013	146,494
Net book amount at 31 December 2013	6,778

	Equipment, fixtures and fittings £
Cost	
At 1 January 2012	147,174
Additions	1,222
At 31 December 2012	148,396
Accumulated depreciation	
At 1 January 2012	112,389
Charge for year	5,733
At 31 December 2012	118,122
Net book amount at 31 December 2012	30,274

Newcastle Financial Services Limited

7 Receivables

	2013	2012
	£	£
Amounts owed by group undertakings	2,803,200	4,692,774
Accrued income	244,637	586,282
Prepayments	16,204	16,026
	3,064,041	5,295,082

There is no significant difference between the carrying value and fair value of receivables.

8 Cash and cash equivalents

	2013	2012
	£	£
Cash and cash equivalents	224,212	197,221

9 Payables

	2013	2012
	£	£
Group relief payable	2,749,749	2,485,795
Accruals	458,210	778,519
	3,207,959	3,264,314

Newcastle Financial Services Limited

10 Deferred tax asset

	2013	2012
	£	£
At 1 January	16,264	(1,856)
Income statement charge (note 5)	(12,132)	18,120
At 31 December	4,132	16,264
Deferred tax is attributable to the following items:		
	2013	2012
	£	£
Deferred Tax Assets		
Trading losses	-	16,654
Depreciation in excess of capital allowances	4,132	-
Deferred Tax Liabilities		
Depreciation in excess of capital allowances	-	(390)
At 31 December	4,132	16,264

The deferred tax asset will either be utilised by future profits or surrendered to another group company. There are no other material timing differences on which deferred taxation has not been provided.

11 Ordinary shares

	2013	2012
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Issued and paid		
100 ordinary shares of £1 each	100	100

12 Financial risk management

The company's activities expose it to credit risk and liquidity risk. The company's overall risk management programme seeks to minimise potential adverse effects on the company's financial performance.

(a) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to external customers. Credit checks are carried out and management monitors impairment through payment history. The credit risk to customers is deemed sufficiently low not to require insurance.

Management do not expect any losses from non-performance by its customers.

The table below shows the ageing analysis of trade receivables at the year end:

Newcastle Financial Services Limited

	Current	0-3 months past due	3-6 months past due	Over 6 months past due	Impaired	Total
	£	£	£	£	£	£
At 31 December 2013	221,809	16,339	5,024	1,465	-	244,637
At 31 December 2012	586,282	-	-	-	-	586,282

All other receivables are considered to be current. Intercompany receivables are repayable on demand and are therefore classified as current until request for payment is made.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

(b) Liquidity risk

Management aims to manage liquidity risk through cash flow forecasting to ensure the company has sufficient available funds for operations and planned expansions. Liquidity risk can also be minimised through intercompany indebtedness within the Newcastle Building Society group.

The table below analyses the company's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the accounting reference date to the contractual maturity date. The carrying value of financial liabilities is not considered to differ significantly from the contractual undiscounted cash flows.

	Less than 1 year
	£
At 31 December 2013	
Payables	3,207,959
At 31 December 2012	
Payables	3,264,314

(c) Capital risk management

As a wholly owned operating subsidiary within the Newcastle Building Society group, the company's capital structure is considered as part of the overall Group's capital position.

Newcastle Financial Services Limited

13 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2013	2012
	Loans and receivables	Loans and receivables
	£	£
Receivables	3,064,041	5,295,082
Cash and cash equivalents	224,212	197,221
	2013	2012
	Other financial liabilities	Other financial liabilities
	£	£
Payables	3,207,959	3,264,314

14 Dividends per share

A dividend of £31,000 per share, totalling £3,100,000 was paid during the year ended 31 December 2013 (2012: £Nil).

15 Ultimate parent undertaking and controlling party

Newcastle Building Society, domiciled in Great Britain, is regarded by the directors as being the company's ultimate parent undertaking and controlling party by virtue of its interest in the company's equity capital and its power to control the financial and operating policies so as to obtain benefits from the company's activities. Newcastle Building Society is the smallest and largest group of undertakings to consolidate these financial statements. Copies of the parent's consolidated financial statements may be obtained from Newcastle Building Society, Portland House, New Bridge Street, Newcastle upon Tyne, NE1 8AL.

16 Related party transactions

At 31 December 2013 £2,803,200 (2012: £4,692,774) was due from Newcastle Building Society in respect of related party transactions. At 31 December 2013 £2,746,081 (2012: £2,474,002) was outstanding on amounts due in respect of group relief payable to the company's parent, Newcastle Building Society with £11,794 (2012: £11,793 due to) due to Newcastle Portland House Limited, £6,393 (2012: £Nil) due from Kings Manor Properties Limited, £44 due from Newcastle Facilities Management Limited and £1,689 due from Newcastle Mortgage Loans (Jersey) Limited, all of which are fellow subsidiary companies.

Until 31 December 2013, Mrs CRR Vine-Lott held the position of chairman of Openwork Holdings Limited and is a director of the company's parent undertaking, Newcastle Building Society. During 2013, gross commissions of £2,922,031 (2012: £6,816,999) were received by the company from Openwork. The company paid £Nil (2012: £36,461) to Openwork in respect of a franchise fee/regulatory support charges.