

Registered Number: 06612702

Silverstone Funding (No.1) Limited

Annual Report and Financial Statements for the year ended 4 April 2018

Contents	Page
Directors and Company Information	2
Directors' Report for the year ended 4 April 2018	3
Strategic Report for the year ended 4 April 2018	6
Independent Auditors' Report	8
Profit and Loss Account for the year ended 4 April 2018	11
Balance Sheet as at 4 April 2018	12
Statement of Changes in Equity for the year ended 4 April 2018	13
Notes to the Financial Statements for the year ended 4 April 2018	14

SILVERSTONE FUNDING (NO.1) LIMITED

Directors and Company Information**Directors**

Mignon Clarke-Whelan (Nee Mignon Clarke)
Philip Andrew Townsend
Daniel Jonathan Wynne
Wilmington Trust SP Services (London) Limited

Company Secretary

Wilmington Trust SP Services (London) Limited

Independent Auditors

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

Registered Office

c/o Wilmington Trust SP Services (London) Limited
Third Floor
1 King's Arms Yard
London
EC2R 7AF

Registered Number

06612702
Registered in England and Wales

SILVERSTONE FUNDING (NO.1) LIMITED

Directors' Report for the year ended 4 April 2018

The directors have pleasure in presenting their annual report and the audited financial statements for Silverstone Funding (No.1) Limited ("the Company") for the year ended 4 April 2018.

As set out in the accounting policies, the Annual Report and Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

All financial information given in the directors' report is taken solely from the statutory results prepared on the above basis. The directors consider the financial statements to be fair, balanced and understandable.

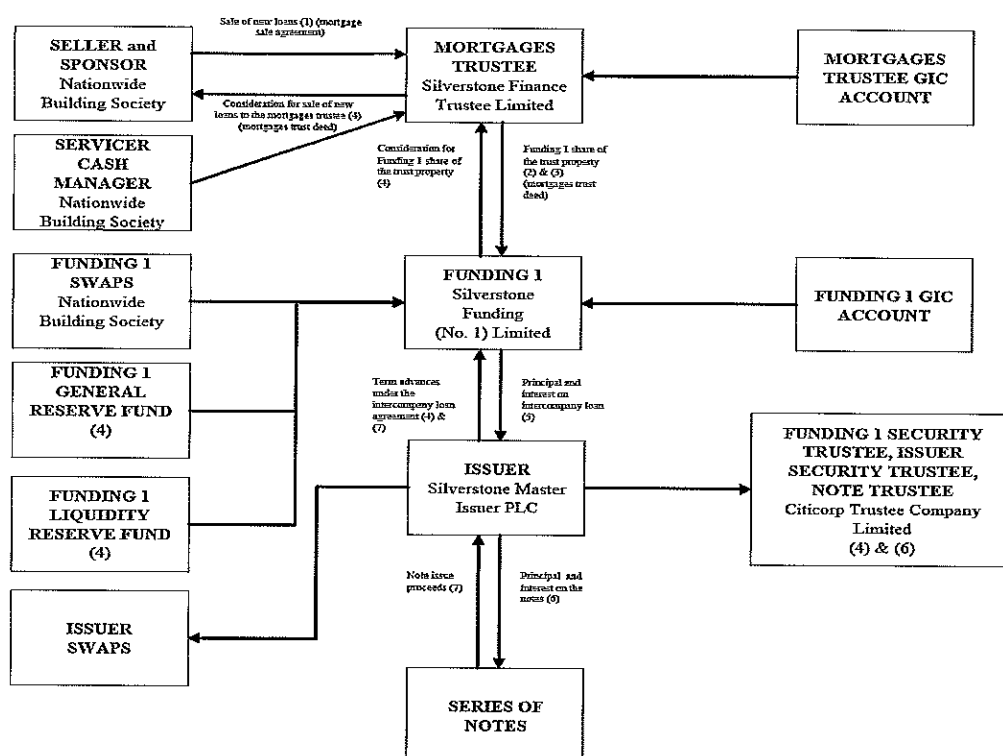
Principal Activities

Silverstone Funding (No.1) Limited is a wholly owned subsidiary of Silverstone Securitisation Holdings Limited, the parent company.

The principal activity of the Company is to acquire an interest in a portfolio of mortgage loans and to enter into financial arrangements with its related parties.

The Company was registered as Silverstone Funding (No.1) Limited in England and Wales on 5 June 2008 as a limited company, with authorised share capital of £100 comprising 100 ordinary shares of £1 each, one of which has been issued.

The activities of the Company are conducted primarily by reference to a series of securitisation transactions as a means of raising funds for Nationwide Building Society ("Nationwide" or "the Group"). The securitisation structure is set out in diagrammatic form below:



Silverstone Master Issuer ("the Issuer") lends the proceeds of the notes issued under the programme to the Company. The loan proceeds from prior years have been used to purchase an interest in the assets of Silverstone Finance Trustee Limited ("the Trust"). The assets of the Trust comprise mortgage loans originated within Nationwide Building Society and secured on residential properties in England, Wales, Scotland and Northern Ireland.

SILVERSTONE FUNDING (NO.1) LIMITED

Directors' Report for the year ended 4 April 2018 (Continued)

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 directors.

Domicile

The Company is limited by shares. It is registered, domiciled and operates in the United Kingdom. The Company is a wholly owned subsidiary of Silverstone Securitisation Holdings Limited, the parent company, which in turn is a wholly owned subsidiary of Nationwide Building Society.

Directors and Directors' Interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 2. There was no change in directors since the prior year. Andrew Townsend is an employee of Nationwide Building Society.

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.

Employees

The Company does not have any employees (2017: none).

Environment

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

The Group has a comprehensive programme of activity on environmental issues. It runs an active carbon-saving programme and has acted on issues such as transport, lighting, heating and recycling. The Company participates in the actions as a member of the Group.

Going Concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Nationwide Building Society. The directors have received confirmation that Nationwide Building Society intend to support the company for at least one year after these financial statements are signed. 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.

Details on future developments, dividends and financial risk management are included in the Strategic Report on pages 6 – 8.

SILVERSTONE FUNDING (NO.1) LIMITED

Directors' Report for the year ended 4 April 2018 (Continued)

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Statement of Disclosure of Information to Auditors

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

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware of, and
- Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself 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



Mignon Clarke-Whelan

For and on behalf of Wilmington Trust SP Services (London) Limited

Date: 12 September 2018

SILVERSTONE FUNDING (NO.1) LIMITED

Strategic Report for the year ended 4 April 2018

The directors present their Strategic Report for the year ended 4 April 2018.

Business Review

In the year to 4 April 2018 the Silverstone structure serviced an additional £910.7 m of Asset Backed Security Issuances.

<u>Note</u>	<u>Value (£'m)</u>
2018-1 1A	360.7
2018-1 2A	550.0

The following notes matured or were partially or fully repaid during the year totalling £804.2 m.

<u>Note</u>	<u>Value (£'m)</u>
2012-1 2A1	333.3
2012-1 2A2	100.0
2012-1 2Z1	85.3
2012-1 2Z2	25.6
2015 1A	260.0

As a result, the inter-company loan from Silverstone Master Issuer PLC increased in the year. The inter-company loan enables the Company to purchase an interest in the assets of a trust administered by the Trust. The assets of the Trust comprise mortgage loans originated within Nationwide Building Society (the "Originator"), secured on residential properties in England, Wales, Scotland and Northern Ireland.

The balance sheet on page 12 of the financial statements shows the Company's financial position at year-end.

Future Developments

The Company will continue to hold its interest in the Trust and no changes in activities are envisaged.

Strategic Goals

Although strategic goals are set at Group level, the Board is aware of the Company's role in supporting the Group's ambition to meet these goals. Further information on the Group's strategic goals and performance against these goals, as well as the strategic goals for the next five years can be found in the Overview section of the Group Annual Report and Accounts.

The securitisation transaction documents define a set of KPIs, and these are published as a monthly investor report (available via the Nationwide Building Society website). These include the yield on the Trust and the excess spread available as the first line of credit enhancement to the notes, the losses that have occurred and the level of arrears and possessions in the underlying mortgages, the rate of repayment of the mortgage loans within the Trust and an analysis of the characteristics of the underlying mortgages in the Trust.

Changes in the credit rating assigned to each series and class of notes issued by the Company and attached to each inter-company loan is also used as an indicator of the performance of the Company.

The credit rating is first assigned at the time of issue and then monitored and reviewed by the Credit Rating Agencies and reflects the likelihood of full and timely payment of the note holders of interest and principal when due.

Please refer to note 13 for all the ratings that have been applied in the reviewed year and subsequently up to the date of approval of these financial statements.

To date, all loan and note repayments have been made in accordance with the scheduled repayment dates.

SILVERSTONE FUNDING (NO.1) LIMITED

Strategic Report for the year ended 4 April 2018 (Continued)

Results

The profit for the financial year to 4 April 2018 was £8,000 (2017: £8,000). This is composed of net interest receivable and similar income of £1,378,000 (2017: £1,417,000) and operating expenses of £1,368,000 (2017: £1,407,000).

Under the securitisation documents as modified by the Directors' resolution dated 30 March 2009, the cash flow profits before tax of the Company are fixed to a maximum of £10,000 per annum retainable from available revenue receipts from the beneficial interest in the Mortgage Trust. The receipts more than those required to enable the company to generate a £10,000 profit accrue to Nationwide Buildings Society, the originator of the underlying mortgages.

Risk Management & Control of the Group

The Group's mutual model ensures focus on securing the long-term needs of its members whilst maintaining a balance sheet primarily invested in UK residential property and an investment grade liquidity portfolio. Sound management has reduced our exposure to higher risk assets over recent years and retained profits have allowed investment in ongoing service development and strengthened the capital position.

While the Group is a low risk organisation, inevitably it faces challenges that pose strategic risks to the delivery of planned objectives and operational risks as it continues to embrace the digital revolution.

Although the Group's finance position continues to strengthen, risks remain. Several factors could affect the Group's financial and lending risks. These include ongoing political uncertainty in the Eurozone and potential economic weakness that could adversely impact the operating environment of the Group.

It is almost certain that regulators' and customers' expectations will increase, and their tolerance for failure will reduce. Dealing effectively with regulation is an important part of running a modern financial institution. The Group's business model and member focus put it in a good position to meet regulatory expectations of conduct.

The Group has not been subject to the same level of regulatory censure as its main competitors, reflecting its commitment to delivering good conduct and fair customer outcomes.

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

- Lending Risk
- Financial Risk
- Operational Risk
- Conduct and Compliance Risk
- Strategic Risk

The risk management objective and policies which correspond to these risks and uncertainties and details on how these are managed and mitigated can be found in the 'Business and Risk Report' section of the Group's Annual Report and Accounts.

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



Mignon Clarke-Whelan

For and on behalf of Wilmington Trust SP Services (London) Limited

Date: 12 September 2018

Report on the audit of the financial statements

Opinion

In our opinion, Silverstone Funding (No. 1) Limited's financial statements:

- Give a true and fair view of the state of the company's affairs as at 4 April 2018 and of its profit for the 12-month period (the "period") then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 4 April 2018; the Profit and Loss Account, the Statement of changes in Equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

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

Reporting on other information (Continued)

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 4 April 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Laura Needham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 September 2018

SILVERSTONE FUNDING (NO.1) LIMITED**Profit and Loss Account for the year ended 4 April 2018**

	Note	2018 £'000	2017 £'000
Interest Receivable & Similar Income	3	41,530	89,851
Interest Payable & Similar Expenses	4	(40,152)	(88,434)
Net Interest Receivable & Similar Income		1,378	1,417
Operating Expenses	5	(1,368)	(1,407)
Profit Before Taxation		10	10
Income Tax Expense	6	(2)	(2)
Profit for the Financial Year		8	8

No other comprehensive income was earned during the year (2017: £nil).

The notes on pages 14 to 25 form part of these financial statements.

SILVERSTONE FUNDING (NO.1) LIMITED**Balance Sheet as at 4 April 2018**

	Note	2018 £'000	2017 £'000
Assets			
Cash & Cash Equivalents	7	219,766	389,508
Deemed Loan to Related Company	8	3,541,335	3,265,329
Total Assets		3,761,101	3,654,837
Liabilities			
Loan from Related Company	9	3,760,525	3,654,656
Current Tax Liability	6	2	2
Other Liabilities	10	494	107
Total Liabilities		3,761,021	3,654,765
Equity			
Share Capital	11	-	-
Retained Earnings	12	80	72
Total Equity		80	72
Total Liabilities & Equity		3,761,101	3,654,837

The notes on pages 14 to 25 form part of these financial statements.

The directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and for the preparation of financial statements.

The financial statements were approved by the board of directors on 12 September 2018.

Signed on behalf of the board of directors



Mignon Clarke-Whelan

For and on behalf of Wilmington Trust SP Services (London) Limited

Registration Number 06612744

SILVERSTONE FUNDING (NO.1) LIMITED**Statement of Changes in Equity for the year ended 4 April 2018**

	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 5 April 2017		-	72	72
Profit for the Financial Year	12	-	8	8
Balance at 4 April 2018		-	80	80

	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 5 April 2016		-	64	64
Profit for the Financial Year	12	-	8	8
Balance at 4 April 2017		-	72	72

The notes on pages 14 to 25 form part of these financial statements.

1. Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). The financial statements have been prepared under the historical cost convention. Accounting policies have been consistently applied in preparing these financial statements. The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of International Accounting Standard 7 Statement of Cash Flows (IAS 7)
- The requirements of paragraphs 30 and 31 of International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8)
- The requirements of International Accounting Standard 24 Related Party Disclosures (IAS 24) to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported accounts 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. 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.

New Standards, Amendments and IFRIC Interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 4 April 2018, have had a material impact on the Company.

Interest Receivable and Interest Expense

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 (EIR) 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 EIR, 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 EIR, and all other premiums or discounts above or below market rates.

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

Interest receivable is presented net of amounts payable for profits more than the £10,000 per annum limit. The associated amount payable is presented net within the loan to related company.

1. Accounting Policies (Continued)**Fees and Commissions**

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

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

Taxation

Current tax payable on profits is recognised as an expense in the period in which profits arise. The Company's tax charge is based on the permanent tax regime for securitisation companies.

Recognition of Financial Assets and Liabilities

If a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have concluded that the Originator, Nationwide Building Society, has retained substantially all the exposure to risks and rewards of the pool of mortgage loans and therefore the Company does not recognise the mortgage loans on its balance sheet but rather a deemed loan due from the Originator, where recourse to the Originator is limited to the cash flows from the mortgage loans.

The initial amount of the deemed loan corresponds to the consideration paid by the Company to the Originator to obtain a portion of the mortgage loans. The Company recognises principal and interest cash flows from the underlying pool of mortgage loans only to the extent that it is entitled to retain such cash flows. The deemed loan is stated at amortised cost.

The basis swap entered by the Company and the Originator is not recognised separately as a derivative financial instrument, as the amount payable under the swap reflect interest flows from the mortgage loans which are not recognised by the Company for accounting purposes. Instead, the deemed loan to the Trustee is recognised with an effective interest rate which reflects the amount receivable under the swap receiving leg.

The start-up loan received by the Company from the Originator is not recognised separately as a liability. Instead, it is aggregated with the deemed loan for accounting purposes, even if legally it represents a separate transaction. The loan from the Issuer is stated at amortised cost.

Notes issued by the Issuer are subject to certain call options that allow the Issuer to repurchase the notes once the principal amount of the notes outstanding falls below 10% of the amount issued, and which would result in an effective repayment of the loan from the Issuer and the deemed loan to Nationwide Building Society. Such repurchase options are considered or be closely related to the economic characteristics and risks of the notes or loans themselves and are not separately accounted for as derivatives.

1. Accounting Policies (Continued)**Impairment of Financial Assets**

At each balance sheet date, the Company assesses whether, because of one or more events occurring after initial recognition, there is objective evidence that a financial asset has become impaired. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments.

Delinquencies and defaults on the underlying securitised assets will not result in an impairment loss if the cash flows from the asset pool are still expected to meet the obligations under the limited recourse loan. Losses incurred on the securitised assets will not trigger impairment if they do not exceed the credit enhancement granted by Nationwide Building Society. The amount of the loss is measured as the difference between the carrying value of the deemed loan to Nationwide Building Society and the present value of the estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the original effective interest rate.

The carrying amount of the asset is reduced by the amount of the loss, which is recognised in the profit and loss account.

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 the risks and rewards of ownership have been transferred.

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

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.

2. Judgements in Applying Accounting Policies and Critical Accounting Estimates

No judgements, estimates or assumptions have been made that are considered critical to the preparation of these financial statements.

3. Interest Receivable and Similar Income

	2018	2017
	£'000	£'000
Interest Receivable on Deemed Loan	60,823	103,719
Payable Excess Profits	(19,499)	(14,869)
Bank Interest Receivable	206	1,001
	41,530	89,851

SILVERSTONE FUNDING (NO.1) LIMITED**Notes to the Financial Statements for the year ended 4 April 2018 (Continued)**

4. Interest Payable and Similar Expenses	2018	2017
	£'000	£'000
Interest Payable on Loan from Related Company	40,152	88,434
	40,152	88,434

5. Operating Expenses

Operating expenses include fees payable to PricewaterhouseCoopers LLP as auditors of £54,000 (2017: £54,000).

The Company has no employees (2017: none).

6. Income Tax Expense	2018	2017
	£'000	£'000
Current Tax Expense (UK Corporation Tax at 19% (2017: 20%))	2	2
Total Current Income Tax Expense	2	2

	2018	2017
	£'000	£'000
Profit Before Taxation	10	10
Tax at 19% (2017: 20%)	2	2
Income Tax Expense	2	2

Corporation tax has been recognised on the Company's profit at 19% (2017: 20%), which is the rate applicable to small company profits.

The Company's tax regime is based on the tax regime for securitisation companies which assess tax on the cash retained as profit in the Company.

7. Cash & Cash Equivalents

The Company has placed its deposit account with Nationwide Building Society as a provider of a Guaranteed Investment Contract. Withdrawals from this account are restricted by the detailed priority of payments set out in the programme documentation. The balance as at 4 April 2018 was made up of a reserve of £100,000,000 (2017: £100,000,000) and a balance of £119,766,000 (2017: £289,508,000) available for allocation under the priority of payments.

SILVERSTONE FUNDING (NO.1) LIMITED**Notes to the Financial Statements for the year ended 4 April 2018 (Continued)**

8. Deemed Loan to Related Company	2018	2017
	£'000	£'000
Deemed Loan to Silverstone Finance Trustee Limited	3,649,923	3,374,266
Excess Profits Payable	(108,046)	(108,491)
Accrued Interest	(542)	(446)
	3,541,335	3,265,329

The beneficial interest in the mortgage loans was £3,763,666,000 (2017: £3,648,544,000) and has been accounted for as part of the deemed loan, offset by accumulated principal repayments. The start-up loan and excess profits payable have also been included within the loan balance.

9. Loan from Related Company

	< 1 Year	1 - 5 Years	> 5 Years	Total
2018	£'000	£'000	£'000	£'000
Loan (Priced Against 3-Month GBP LIBOR)	325,000	2,519,275	910,660	3,754,935
Accrued Interest	8,732	-	-	8,732
Capitalised Issuance Fees	-	(2,334)	(808)	(3,142)
	333,732	2,516,941	909,852	3,760,525

	< 1 Year	1 - 5 Years	> 5 Years	Total
2017	£'000	£'000	£'000	£'000
Loan (Priced Against 3-Month GBP LIBOR)	804,270	2,844,274	-	3,648,544
Accrued Interest	9,304	-	-	9,304
Capitalised Issuance Fees	(1,708)	(1,484)	-	(3,192)
	811,866	2,842,790	-	3,654,656

10. Other Liabilities

	2018	2017
	£'000	£'000
Other Payables	494	107
	494	107

11. Share Capital

	2018	2017
	£	£
Authorised: Ordinary Shares of £1 Each	100	100
Number of Shares		
Issued and Fully Paid: Ordinary Shares of £1	1	1

The Company was registered as Silverstone Funding (No.1) Limited in England and Wales on 5 June 2008 as a limited company with authorised share capital of £100 comprising 100 ordinary shares of £1 each. One share was issued and fully paid up.

SILVERSTONE FUNDING (NO.1) LIMITED**Notes to the Financial Statements for the year ended 4 April 2018 (Continued)**

12. Retained Earnings	2018	2017
	£'000	£'000
Balance Brought Forward	72	64
Profit for the Financial Year	8	8
Balance at the End of the Year	80	72

No dividends were proposed or paid during the year (2017: none).

13. Risk Management and Control of the Group**Corporate Governance Statement**

The Company's activities expose it to several financial risks including credit risk, liquidity risk, prepayment risk and interest rate risk as presented below in accordance with the Companies Act 2006. For this reason, the Company devotes resources to maintaining effective controls to manage, measure and mitigate these risks.

Credit Risk

Credit risk arises where there is a possibility that a counterparty may default. The primary credit risk of the Company relates to the underlying credit risk associated with the securitised pool of mortgages originated within Nationwide Building Society. There was no (2017: nil) impairment provision against the loans and other debts due from members. Credit risk also arises in relation to cash and cash equivalents placed on deposit with Nationwide Building Society as the provider of the Guaranteed Investment Contract (GIC).

The Company meets its obligations on the loan from the Issuer from the cash flows it receives from the Originator. This represent the main recourse for the Company. Consequently, the credit quality of the mortgage loans indicates the capacity of the Company to service its payments, although the mortgages remain on the balance sheet of the Originator. The structure of the securitisation provides for other credit enhancements.

The likelihood of defaults in the mortgage pool and the amounts that may be recovered in the event of default are related to several factors and may vary according to characteristics and product type. Significant changes in the economy, or in the health of a geographical zone that represents a concentration in these securitised assets, could also affect the cash flows from the mortgage pool. Key characteristics of the mortgage pool at 4 April 2018 are shown in this note. As existing mortgage loans are repaid and new loans are sold to the Company, the characteristic of the mortgage pool may change. All risk factors were assessed in detail at inception and are outlined in the Offering Circular for the notes issued.

Credit enhancement is provided to the Company. The income on the mortgage pool, including the basis swap, is expected to exceed the interest payable on the Company's inter-company loan. The excess spread is available to make good any reduction in the principal balance of the mortgage pool because of defaults by customers. There were losses of £516,000 (2017: £555,000) in the mortgage pool covered by excess spread in the year.

13. Risk Management and Control of the Group (Continued)**Credit Risk (Continued)**

As at year-end the reserve fund was £100,000,000 (2017: £100,000,000). As specified in the final terms for the 2015-1 issuance the reserve fund required amount became £100,000,000, thereby allowing a release of £625,000,000 from the Company's reserve fund ledger which became available to be used as available revenue receipts.

The Company has a concentration of risk to the Originator (Nationwide Building Society). The underlying mortgage assets of the securitisation structure are all in the UK market. The nature of the residential mortgage portfolio means there is no significant counterparty credit risk, as the Originator's retail lending book comprise many smaller loans which are broadly homogenous and have low volatility of credit risk outcomes and are intrinsically highly diversified. The balance sheet amounts represent the maximum exposure to credit risk.

The Company assesses its counterparty credit risk in relation to the cash and cash equivalents held with Nationwide Building Society by reference to credit ratings. In accordance with the criteria of the Rating Agencies that rate the notes issued by the Issuer, and by association the inter-company loan received by the Company, the program documentation contains various rating triggers linked to each counterparty which requires certain actions to be taken if triggers are breached. These rating triggers include the replacement of Nationwide Building Society as the Guaranteed Investment Contract (GIC) provider.

To date, none of these triggers have been breached. The current counterparty credit ratings are included below.

Function	Counterparty	S&P, Moody's, Fitch (04/04/2018)		Trigger Breached	S&P, Moody's, Fitch (10/09/2018)	
		Short Term	Long Term		Short Term	Long Term
Bank Account	Nationwide Building Society	A-1/P-1/F1	A/Aa2/A+	No	A-1/P-1/F1	A/Aa2/A+

Securitised Mortgage Assets

The following tables present the characteristics of the entire portfolio of mortgage loans held by the Trust and originated by Nationwide Building Society. The values of residential property on which the mortgage loans are secured are updated quarterly to reflect changes in the house price index. The Company's share of these mortgages is 42% (2017: 32%) and these back the deemed loan to the Originator.

Mortgage Pool Details	2018	2017
Aggregate Loan Balance (£'m)	8,711	10,412
Number of Loans	169,102	191,887
Largest Loan (£)	909,813	929,221
Average Balance of Mortgage Loan (£)	51,516	54,263
Longest Dated Mortgage Legal Maturity (years)	35	36

SILVERSTONE FUNDING (NO.1) LIMITED**Notes to the Financial Statements for the year ended 4 April 2018 (Continued)****13. Risk Management and Control of the Group (Continued)****Securitised Mortgage Assets (Continued)**

Distribution by Current Loan to Value Ratio (Indexed)	2018	2017
	%	%
<70%	92.4	90.0
70% - 80%	5.0	6.4
80% - 90%	1.8	2.4
90% - 100%	0.6	0.8
>100%	0.2	0.4
Total Book	100.0	100.0
Average Loan to Value of Book (Indexed)	41.5	43.7

Mortgages Due Status	2018		2017	
	£'000	%	£'000	%
Not Impaired				
Neither Past Due nor Impaired	8,618,828	98.9	10,305,617	99.0
Past Due up to 3 Months but not Impaired	42,569	0.5	50,735	0.5
Impaired	50,095	0.6	56,043	0.5
	8,711,492	100.0	10,412,395	100.0

Impaired Mortgage Loans	2018		2017	
	£'000	%	£'000	%
Impaired Status				
Past Due 3 to 6 Months	20,242	40.4	24,653	44.0
Past Due 6 to 12 Months	16,488	33.0	17,017	30.4
Past Due Over 12 Months	12,342	24.6	12,653	22.6
Possessions	1,023	2.0	1,720	3.0
	50,095	100.0	56,043	100.0

A mortgage loan is classified as impaired if it is more than 3 months past due or in possession.

Possessions	2018	2017
	Number	Number
Possessions During the Year	36	33
Possessions yet to be Sold	12	19

SILVERSTONE FUNDING (NO.1) LIMITED**Notes to the Financial Statements for the year ended 4 April 2018 (Continued)****13. Risk Management and Control of the Group (Continued)****Securitised Mortgage Assets (Continued)**

Geographical Distribution	2018	2017
	%	%
South-East England (Excluding Greater London)	26.5	26.6
Central England	18.8	19.0
Northern England	18.9	18.8
Greater London	12.1	12.1
Scotland	8.2	8.2
South-West England	8.3	8.2
Wales and Northern Ireland	7.2	7.1
	100.0	100.0

Liquidity and Funding Risk

The Company's ability to pay interest on the start-up loan, the inter-company loans and the other expenses depends upon the Company receiving enough revenue cash flows from the mortgage pool. Having met other obligations, the Company returns any surplus cash flows to Nationwide Building Society.

The Company makes principal repayments on the inter-company loans in accordance with the Company's principal priority of payments reflecting the amount of principal collection on the underlying mortgage pool.

The Company is obliged to make payments on the inter-company loans to the extent it receives enough cash flows from the underlying mortgage pool. If the Company does not receive sufficient revenue funds, the interest is capitalised. The Company will use the principal funds from the mortgage pool to repay the inter-company loans in accordance with the expected due date. When required, cash relating to principal receipts on mortgages is accumulated within the Company prior to note repayments. The amount of cash held for this purpose as at 4 April 2018 was £ nil (2017: £ nil).

The principal funds available will depend on the rate of repayment of loan principal within the underlying mortgage pool and is subject to prepayment risk as detailed in this note.

If the Company does not pay amounts due on the inter-company loans because it does not have sufficient funds available, then the loans may not be paid in full and a part may be deferred to subsequent periods. Such deferred amounts will remain due but not payable until funds are available in accordance with the relevant priority of payments.

The following table classifies assets and liabilities into maturity buckets based on the remaining period at the balance sheet date to the contractual maturity date.

SILVERSTONE FUNDING (NO.1) LIMITED
Notes to the Financial Statements for the year ended 4 April 2018 (Continued)
13. Risk Management and Control of the Group (Continued)
Liquidity and Funding Risk (Continued)
Residual Maturity Analysis

04 April 2018	< 1 Month	1 - 3 Months	3 - 6 Months	6 - 9 Months	9 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
<u>Assets</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash Equivalents	219,766	-	-	-	-	-	-	-	219,766
Deemed Loan	8,042	-	211,405	-	-	441,771	2,128,163	751,954	3,541,335
Total Assets	227,808	-	211,405	-	-	441,771	2,128,163	751,954	3,761,101
<u>Liabilities</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Related Party Loan	8,732	-	325,000	-	-	441,365	2,075,576	909,852	3,760,525
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	-	-	69	-	-	-	-	425	494
Total Liabilities	8,732	-	325,069	-	2	441,365	2,075,576	910,277	3,761,021
Net Position	219,076	-	(113,664)	-	(2)	406	52,587	(158,323)	80
04 April 2017	< 1 Month	1 - 3 Months	3 - 6 Months	6 - 9 Months	9 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
<u>Assets</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash Equivalents	389,508	-	-	-	-	-	-	-	389,508
Deemed Loan	6,943	-	392,603	65,000	65,000	624,901	2,219,373	(108,491)	3,265,329
Total Assets	396,451	-	392,603	65,000	65,000	624,901	2,219,373	(108,491)	3,654,837
<u>Liabilities</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Related Party Loan	290,740	(288)	392,191	64,608	64,615	623,886	2,218,904	-	3,654,656
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	-	-	107	-	-	-	-	-	107
Total Liabilities	290,740	(288)	392,298	64,608	64,617	623,886	2,218,904	-	3,654,765
Net Position	105,711	288	305	392	383	1,015	469	(108,491)	72

The final maturity date of the underlying mortgage loans is no later than the later of:

- 21 January 2068
- The earliest final maturity date of any outstanding notes (other than any notes designated in the relevant final terms as money market notes for the purposes of rule 2a-7 under the Investment Company Act and any notes with a final maturity date of 21 January 2070) minus 2 years.

In the normal course of business, a proportion of mortgage borrowers repay their loan in advance of their contractual maturity. As a result, the weighted average life of the loan and the notes is likely to be significantly less than that implied by the contractual maturity dates of the mortgage pool.

The rate of prepayment of loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and home owner mobility. The terms of the inter-company loan are that repayment of principal will only be made to the extent that sufficient cash flows have been received from the Company's assets. If prepayment rates in the mortgage pool reduce, principal repayments on the deemed loan and notes may be spread over a longer period.

SILVERSTONE FUNDING (NO.1) LIMITED**Notes to the Financial Statements for the year ended 4 April 2018 (Continued)****13. Risk Management and Control of the Group (Continued)****Liquidity and Funding Risk (Continued)**

The Constant Payment Rate ("CPR") for the underlining mortgage pool as detailed within the Investor Report is as follows:

	Monthly CPR	3 Month Average	Annualised Rate
31 March 2018	1.57%	16.79%	17.28%
31 March 2017	1.62%	15.91%	17.79%

The table below present the contractual undiscounted cash flows of all financial liabilities at the balance sheet date.

	< 1 Month	1 - 3 Months	3 - 6 Months	6 - 9 Months	9 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
04 April 2018									
<u>Liabilities</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Related Party Loan	6,973	-	331,973	6,370	6,370	464,790	2,161,905	863,194	3,841,575
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	-	-	69	-	-	-	-	425	494
Total Liabilities	6,973	-	332,042	6,370	6,372	464,790	2,161,905	863,619	3,842,071
04 April 2017									
<u>Liabilities</u>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Related Party Loan	293,252	396	403,654	74,701	74,537	613,589	2,324,795	56	3,784,980
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	-	-	107	-	-	-	-	-	107
Total Liabilities	293,252	396	403,761	74,701	74,539	613,589	2,324,795	56	3,785,089

Interest Rate Risk

The Company is exposed to interest rate risk in that its interest expense is LIBOR based, whilst its interest income originates from its beneficial interest in a pool of Nationwide Building Society mortgages at Sterling fixed and floating rate.

The Company hedges its interest rate exposure through entering into a basis swap contract with Nationwide Building Society. Through the basis swap, the Company can swap the interest receivable from the beneficial interest in a pool of Nationwide Building Society mortgages for a LIBOR related return such that the sensitivity of the cash flows to the interest rate is substantially eliminated. The basis swap is not recognised separately as a derivative financial instrument in the financial statements as it is accounted for as part of the deemed loan.

Foreign Currency Risk

The Company's assets and liabilities are denominated in Sterling. The Company is therefore not exposed to any currency risk.

SILVERSTONE FUNDING (NO.1) LIMITED**Notes to the Financial Statements for the year ended 4 April 2018 (Continued)****14. Fair Value of Financial Assets and Liabilities****Fair Value of Financial Assets and Liabilities at Amortised Cost**

2018	Carrying Value £'000	Fair Value £'000
Assets		
Deemed Loan to Related Company	3,541,335	3,422,473
Liabilities		
Loan from Related Company	3,760,525	3,854,703
2017	Carrying Value £'000	Fair Value £'000
Assets		
Deemed Loan to Related Company	3,265,329	3,141,398
Liabilities		
Loan from Related Company	3,654,656	3,655,528

The estimated fair value of the deemed loan to a related company and loan from a related company represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. These are level 3 within the fair value hierarchy.

15. Capital Management

Capital is managed on a Group basis.

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

16. Parent Undertaking and Ultimate Controlling Entity

Silverstone Funding (No.1) Limited is a public limited company which operates in and is domiciled in England and Wales.

The Company is a wholly owned subsidiary of Silverstone Securitisation Holdings Limited, its immediate parent company which is registered in England and Wales, for which Wilmington Trust SP Services (London) Limited holds the shares in trust for the benefit of certain discretionary objects.

For accounting purposes, the Company's ultimate parent and controlling party is Nationwide Building Society, a company incorporated 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 www.nationwide.co.uk.