

Registered Number: 06612702

Silverstone Funding (No.1) Limited

Annual Report and Financial Statements for the year ended 4 April 2019

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SILVERSTONE FUNDING (NO.1) LIMITED

Directors and Company Information**Directors**

Ioannis Kyriakopoulos
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

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

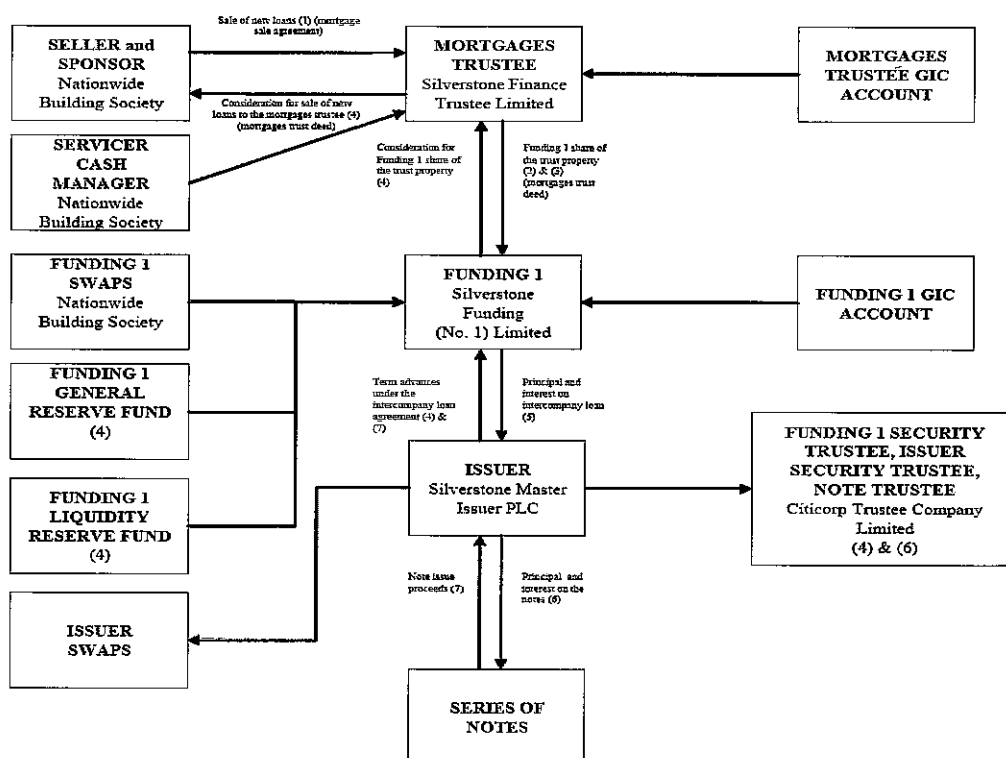
Registered Number

06612702
Registered in England and Wales

Directors' Report for the year ended 4 April 2019

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.

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 2019 (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. Philip Andrew Townsend is an employee of Nationwide Building Society. The following changes in directors were made since the prior year:

- Mignon Clarke-Whelan (Resigned 1 October 2018)
- Robert Sutton (Resigned 26 March 2019)
- Ioannis Kyriakopoulos (Appointed 26 March 2019)

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 (2018: 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.

Independent Auditors

PricewaterhouseCoopers LLP (PwC) has been appointed by the directors as the auditors of the Company and are to remain in office until the conclusion of the Company's annual general meeting. Ernst & Young LLP (EY) will be recommended as auditors for 2019/20 at the forthcoming annual general meeting, in accordance with the Companies Act 2006.

SILVERSTONE FUNDING (NO.1) LIMITED

Directors' Report for the year ended 4 April 2019 (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



Ioannis Kyriakopoulos

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

Date: 17 July 2019

SILVERSTONE FUNDING (NO.1) LIMITED

Strategic Report for the year ended 4 April 2019

The directors present their Strategic Report for the year ended 4 April 2019.

Business Review

In the year to 4 April 2019 the Silverstone structure did not service any additional asset backed security issuances. The following notes totalling £648.4 million matured or were partially or fully repaid during the year.

<u>Note</u>	<u>Value (£'m)</u>
2015-1 A1	325.0
2015-1 A2	83.3
2015-1 A3	48.7
2016-1 1A1	51.8
2016-1 1A2	67.5
2018-1 1A	72.1

As a result, the inter-company loan from Silverstone Master Issuer PLC decreased 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 11 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 2019 (Continued)

Results

The profit for the financial year to 4 April 2019 was £8,000 (2018: £8,000). This is composed of net interest receivable and similar income of £1,080,000 (2018: £1,378,000) and operating expenses of £1,070,000 (2018: £1,368,000).

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



Ioannis Kyriakopoulos

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

Date: 17 July 2019

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 2019 and of its profit for the year 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 2019; 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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.

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 year ended 4 April 2019 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 directors 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
17 July 2019

SILVERSTONE FUNDING (NO.1) LIMITED**Profit and Loss Account for the year ended 4 April 2019**

	Note	2019 £'000	2018 £'000
Interest Receivable and Similar Income	3	55,302	41,530
Interest Payable and Similar Expenses	4	(54,222)	(40,152)
Net Interest Receivable and Similar Income		1,080	1,378
Operating Expenses	5	(1,070)	(1,368)
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 (2018: £nil).

The notes on pages 14 to 26 form part of these financial statements.

SILVERSTONE FUNDING (NO.1) LIMITED**Balance Sheet as at 4 April 2019**

	Note	2019 £'000	2018 £'000
Assets			
Cash and Cash Equivalents	7	499,140	219,766
Deemed Loan to Related Company	8	2,617,298	3,541,335
Total Assets		3,116,438	3,761,101
Liabilities			
Loan from Related Company	9	3,116,173	3,760,525
Current Tax Liability	6	2	2
Other Liabilities	10	175	494
Total Liabilities		3,116,350	3,761,021
Equity			
Called Up Share Capital	11	-	-
Retained Earnings	12	88	80
Total Equity		88	80
Total Liabilities & Equity		3,116,438	3,761,101

The notes on pages 14 to 26 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 17 July 2019.

Signed on behalf of the board of directors



Ioannis Kyriakopoulos

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 2019**

	Note	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 5 April 2018		-	80	80
Profit for the Financial Year	12	-	8	8
Balance at 4 April 2019		-	88	88

	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

The notes on pages 14 to 26 form part of these financial statements.

1. Accounting Policies**Basis of Preparation**

These 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. As stated in the Directors' report, the directors consider that it is appropriate to adopt the going concern basis in preparing the accounts.

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 party to the transaction is wholly owned by such a member

A summary of the Company's accounting policies is set out below. The accounting policies have been consistently applied. The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Further information about judgements in applying accounting policies and critical accounting estimates is provided in note 2.

New Standards, Amendments and IFRIC Interpretations

The Company has adopted the following standards with effect from 5 April 2018:

- IFRS9 'Financial Instruments'
- IFRS15 'Revenue from Contracts with Customers'

Interest Receivable and Interest Payable

For instruments measured at amortised cost the effective interest rate (EIR) method is used to measure the carrying values of a financial asset or 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 over 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 penalty charges) and anticipated customer behaviour 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, transaction costs, and all other premiums or discounts above or below market rates.

1. Accounting Policies (Continued)**Interest Receivable and Interest Payable (Continued)**

Interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. net of the allowance for expected credit losses (ECLs)).

Interest receivable is presented net of amounts payable to Nationwide Building Society to reduce cash flow to £10,000 per annum in accordance with the securitisation transaction documents.

Fees and Commissions

Fees and commission expense includes fees other than those that are an integral part of EIR. 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.

Financial Instruments

Financial assets and liabilities comprise of related company loans. Financial instruments are held at amortised cost.

Derecognition of financial instruments 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.

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 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.

1. Accounting Policies (Continued)**Financial Instruments (Continued)**

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.

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.

Impairment of Financial Assets

Financial assets within the scope of IFRS 9 expected credit loss (ECL) requirements comprise all financial debt instruments measured at amortised cost. The ECL represents the present value of expected cash shortfalls following the default of a financial instrument. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Company expects to receive.

The allowance for ECLs is based on an assessment of the probability of default, exposure at default and loss given default, discounted at the effective interest rate to give a net present value. The estimation of ECLs is unbiased and probability weighted, considering all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes. ECLs are typically calculated from initial recognition of the financial asset for the maximum contractual period that the Company is exposed to the credit risk.

For financial assets recognised in the balance sheet at amortised cost, the allowance for ECLs is offset against the gross carrying value so that the amount presented in the balance sheet is net of impairment provisions.

Forward Looking Economic Inputs

ECLs are calculated by reference to information on past events, current conditions and forecasts of future economic conditions. Multiple economic scenarios are incorporated into ECL calculation models. These scenarios are based on external sources where available and appropriate, and internally generated assumptions in all other cases.

Credit Risk Categorisation

For the purpose of calculating ECLs, assets are categorised into three 'stages' as follows:

Stage 1: No Significant Increase in Credit Risk Since Initial Recognition

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months. Expected credit losses for these stage 1 assets continue to be recognised on the basis unless there is a significant increase in the credit risk of the asset.

1. Accounting Policies (Continued)**Impairment of Financial Assets (Continued)***Stage 2: Significant Increase in Credit Risk*

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument.

Whether a significant increase in credit risk has occurred is ascertained by comparing the probability of default at the reporting date to the probability of default at origination, based on quantitative and qualitative factors. Quantitative considerations consider changes in the residual lifetime probability of default (PD) of the asset. As a backstop, all asset with an arrear's status of more than 30 days past due on contractual payments are considered to be in stage 2.

Stage 3: Credit Impaired (or Defaulted) Loans

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit impaired when:

- Contractual payments of either principal or interest are past due by more than 90 days;
- There are other indications that the borrower is unlikely to pay such as signs of financial difficulty, probable bankruptcy, breaches of contract and concession events which have a detrimental impact on the present value of future cashflows; or
- The loan is otherwise considered to be in default.

Interest income on stage 3 credit impaired loans is recognised in the income statements on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets, and continues to increase over time with the contractually accrued interest.

Transfer Between Stages

Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above.

For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met. For loans subject to concession events such as forbearance, accounts are transferred back to stage 1 or 2 only after being up to date for a period of 12 months.

Write-Off

Loans remain on the balance sheet, net of associated provisions, until they are redeemed to have no reasonable expectation of recovery. Loans are generally written off after realisation of any proceeds from collateral and upon conclusion of the collections process, including consideration of whether an account has reached a point where continue attempts to recover are no longer likely to be successful. 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 value of impairment losses recorded in the income statement.

1. Accounting Policies (Continued)**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**Expected Credit Loss Allowance**

Impairment is measured as the impact of credit risk on the present value of management's estimate of future cash flows. In determining the required level of impairment provisions, the Company uses outputs from statistical models, incorporating a number of estimates and judgements to determine the Probability of Default (PD), the Exposure at Default, and the Loss Given Default of each loan. The most significant area of estimation uncertainty is the use of forward-looking information. The most significant area of judgement is the approach to identify significant increases in credit risk and impairment / the definition of default.

Use of Forward-Looking Economic Information

Forward looking economic information is incorporated into the measurement of provisions in two ways: as an input to the valuation of ECL and as a factor in determining the staging of an asset. Management exercises judgement in estimating future economic conditions which are incorporated through modelling of multiple economic scenarios (MES).

The use of MES ensures that the calculation of ECL captures a range of possible outcomes. It addresses the risk of non-linearity in the relationship between credit losses and economic conditions, with provisions increasing more in unfavourable conditions (particularly severe conditions) than they reduce in favourable conditions. The IFRS 9 ECL provision recognised is therefore the probability-weighted sum of the provisions calculated under a range of economic scenarios. The scenarios and the weightings are derived using external data and statistical methodologies, together with management judgement, to determine scenarios which span an appropriately wide range of plausible economic conditions.

Identifying Significant Increases in Credit Risk (Stage 2)

Loans are allocated to stage 1 or stage 2 according to whether there has been a significant increase in credit risk. The Company have used judgement to select both quantitative and qualitative criteria which are used to determine whether a significant increase in credit risk has taken place.

Identifying Credit Impaired Loans and the Definition of Default (Stage 3)

The identification of credit impaired loans and the definition of default is an important judgement within the IFRS 9 staging approach. A loan is credit impaired where it has an arrears status of more than 90 days past due, is considered in default or it is considered unlikely that the borrower will repay the outstanding balance in full, without recourse to actions such as releasing security.

SILVERSTONE FUNDING (NO.1) LIMITED**Notes to the Financial Statements for the year ended 4 April 2019 (Continued)****3. Interest Receivable and Similar Income**

	2019	2018
	£'000	£'000
Interest Receivable on Deemed Loan	75,606	60,823
Payable Excess Profits	(21,550)	(19,499)
Bank Interest Receivable	1,246	206
	55,302	41,530

4. Interest Payable and Similar Expenses

	2019	2018
	£'000	£'000
Interest Payable on Loan from Related Company	54,222	40,152
	54,222	40,152

5. Operating Expenses

Operating expenses include fees payable to PricewaterhouseCoopers LLP as auditors of £50,000 (2018: £54,000). The Company has no employees (2018: none).

6. Income Tax Expense

	2019	2018
	£'000	£'000
Current Tax Expense (UK Corporation Tax at 19%)	2	2
Total Current Income Tax Expense	2	2

	2019	2018
	£'000	£'000
Profit Before Taxation	10	10
Tax at 19%	2	2
Income Tax Expense	2	2

Corporation tax has been recognised on the Company's profit at 19%, which is the main rate of UK Corporation Tax.

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 2019 was made up of a reserve of £100,000,000 (2018: £100,000,000) and a balance of £399,140,000 (2018: £119,766,000) available for allocation under the priority of payments.

SILVERSTONE FUNDING (NO.1) LIMITED
Notes to the Financial Statements for the year ended 4 April 2019 (Continued)

8. Deemed Loan to Related Company	2019	2018
	£'000	£'000
Deemed Loan to Silverstone Finance Trustee Limited	2,724,916	3,649,923
Excess Profits Payable	(107,437)	(108,046)
Accrued Interest	(181)	(542)
	2,617,298	3,541,335

The beneficial interest in the mortgage pool was £3,117,329,000 (2018: £3,763,666,000) 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.

Reconciliation of Movement in Gross Balance and Impairment Provisions

	Non-Credit Impaired				Credit Impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross Balance £'000	Provision £'000	Gross Balance £'000	Provision £'000	Gross Balance £'000	Provision £'000	Gross Balance £'000	Provision £'000
05 April 2018	3,541,335	-	-	-	-	-	3,541,335	-
Stage Transfers	-	-	-	-	-	-	-	-
Movements	(924,037)	-	-	-	-	-	(924,037)	-
04 April 2019	2,617,298	-	-	-	-	-	2,617,298	-
Net Carrying Amount		2,617,298		-		-		2,617,298
Income Statement Charge for the Year								-

The deemed loan to related company balance is classified as stage 1 non-credit impaired and subject to 12-month ECL. At no time during the year was any part of the loan classified as stage 2 or stage 3 and there were no transfers between stages.

The deemed loan balance reflects the funding share of the mortgage pool and movements during the year are a result of net bond issuances and redemptions in Silverstone Master Issuer PLC.

9. Loan from Related Company

	< 1 Year	1 - 5 Years	> 5 Years	Total
	£'000	£'000	£'000	£'000
2019				
Loan (Priced Against 3-Month GBP LIBOR)	783,322	2,017,216	306,032	3,106,570
Accrued Interest	10,760	-	-	10,760
Capitalised Issuance Fees	(292)	(751)	(114)	(1,157)
	793,790	2,016,465	305,918	3,116,173
2018				
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

SILVERSTONE FUNDING (NO.1) LIMITED**Notes to the Financial Statements for the year ended 4 April 2019 (Continued)****10. Other Liabilities**

	2019	2018
	£'000	£'000
Other Payables	175	494
	175	494

11. Called Up Share Capital

	2019	2018
	£	£
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.

12. Retained Earnings

	2019	2018
	£'000	£'000
Balance Brought Forward	80	72
Profit for the Financial Year	8	8
Balance at the End of the Year	88	80

No dividends were proposed or paid during the year (2018: 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 (2018: 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.

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

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 2019 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 £290,000 (2018: £516,000) in the mortgage pool covered by excess spread in the year.

As at year-end the reserve fund was £100,000,000 (2018: £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 (04/04/2019)		Trigger Breached	S&P, Moody's, Fitch (17/07/2018)	
		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+

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

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 39% (2018: 42%) and these back the deemed loan to the Originator.

Mortgage Pool Details	2019	2018
Aggregate Loan Balance (£'m)	6,936	8,711
Number of Loans	144,574	169,102
Largest Loan (£)	885,603	909,813
Average Balance of Mortgage Loan (£)	47,979	51,516
Longest Dated Mortgage Legal Maturity (years)	34	35

Distribution by Current Loan to Value Ratio (Indexed)

	2019	2018
	%	%
<70%	95.0	92.4
70% - 80%	3.5	5.0
80% - 90%	1.2	1.8
90% - 100%	0.2	0.6
>100%	0.1	0.2
Total Book	100.0	100.0
Average Loan to Value of Book (Indexed)	39.1	41.5

Mortgages Due Status

	2019		2018	
	£'000	%	£'000	%
Not Impaired				
Neither Past Due nor Impaired	6,859,134	98.9	8,618,828	98.9
Past Due up to 3 Months but not Impaired	30,066	0.4	42,569	0.5
Impaired	47,281	0.7	50,095	0.6
	6,936,481	100.0	8,711,492	100.0

Impaired Mortgage Loans

	2019		2018	
	£'000	%	£'000	%
Impaired Status				
Past Due 3 to 6 Months	11,009	23.3	20,242	40.4
Past Due 6 to 12 Months	30,361	64.2	16,488	33.0
Past Due Over 12 Months	5,343	11.3	12,342	24.6
Possessions	568	1.2	1,023	2.0
	47,281	100.0	50,095	100.0

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

13. Risk Management and Control of the Group (Continued)**Securitised Mortgage Assets (Continued)**

Possessions	2019	2018
	Number	Number
Possessions During the Year	22	36
Possessions yet to be Sold	7	12
Geographical Distribution	2019	2018
	%	%
South-East England (Excluding Greater London)	27.2	26.5
Central England	18.4	18.8
Northern England	18.2	18.9
Greater London	12.6	12.1
South-West England	8.4	8.3
Scotland	8.3	8.2
Wales and Northern Ireland	6.9	7.2
	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 2019 was £ nil (2018: £ 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 2019 (Continued)
13. Risk Management and Control of the Group (Continued)
Liquidity and Funding Risk (Continued)
Residual Maturity Analysis

	< 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 2019	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets									
Cash Equivalents	499,140	-	-	-	-	-	-	-	499,140
Deemed Loan	6,636	-	109,247	114,655	109,247	909,307	1,165,643	202,563	2,617,298
Total Assets	505,776	-	109,247	114,655	109,247	909,307	1,165,643	202,563	3,116,438
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Related Party Loan	416,869	-	123,642	129,635	123,644	871,515	1,144,950	305,918	3,116,173
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	60	-	-	-	-	-	-	115	175
Total Liabilities	416,929	-	123,642	129,635	123,646	871,515	1,144,950	306,033	3,116,350
Net Position	88,847	-	(14,395)	(14,980)	(14,399)	37,792	20,693	(103,470)	88
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
Assets	£'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
Liabilities	£'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

The final maturity date of the underlying mortgage loans is no later than 21 January 2070.

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.

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 2019	1.68%	29.46%	18.43%
31 March 2018	1.57%	16.79%	17.28%

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 2019	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Related Party Loan	416,869	-	123,642	129,635	123,644	871,515	1,144,950	305,918	3,116,173
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	60	-	-	-	-	-	-	115	175
Total Liabilities	416,929	-	123,642	129,635	123,646	871,515	1,144,950	306,033	3,116,350

	< 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	£'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

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.

14. Fair Value of Financial Assets and Liabilities**Fair Value of Financial Assets and Liabilities at Amortised Cost**

2019	Carrying Value	Fair Value
	£'000	£'000
Assets		
Deemed Loan to Related Company	2,617,298	2,541,475
Liabilities		
Loan from Related Company	3,116,173	3,188,140
2018	Carrying Value	Fair Value
	£'000	£'000
Assets		
Deemed Loan to Related Company	3,541,335	3,422,473
Liabilities		
Loan from Related Company	3,760,525	3,854,703

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.