Registered Number: 06612744

Silverstone Master Issuer PLC

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

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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 Auditor
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

06612744
Registered in England and Wales

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 Master Issuer PLC ("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.

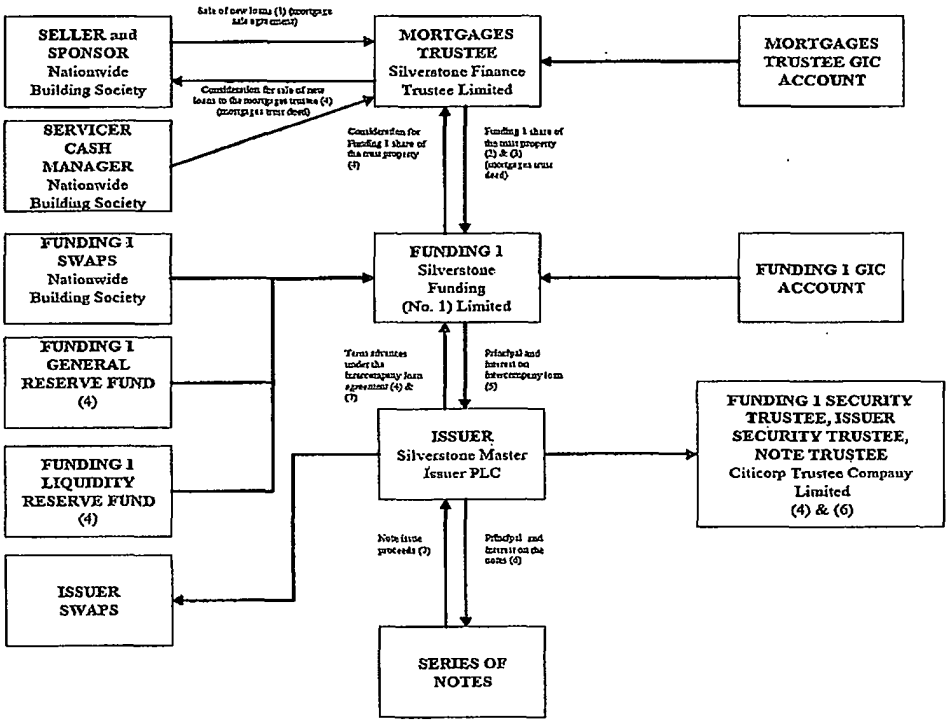
All financial information given in the directors' report is taken solely from the statutory results prepared on the above basis. The directors consider the financial statements to be fair, balanced and understandable.

Principal Activities

Silverstone Master Issuer PLC is a wholly owned subsidiary of Silverstone Securitisation Holdings Limited, the parent company. The principle activity of Silverstone Master Issuer PLC is the investment of the proceeds of the issue of asset backed loan notes. These have been invested in loans to Silverstone Funding (No.1) Limited.

The Company was registered as Silverstone Master Issuer PLC in England and Wales on 5 June 2008 as a public limited company, with authorised share capital of £50,000 comprising 50,000 ordinary shares of £1 each. All the authorised share capital of £50,000 was issued, of which 49,998 shares were partly paid to £0.25 each and two shares were fully paid up. There has been no change to this in the current financial year.

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 PLC lends the proceeds of the notes issued under the programme to Silverstone Funding (No.1) Limited. The loan proceeds from prior periods 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.

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 directors' and officers' liability insurance in respect of itself and its directors throughout the financial year.

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.

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.

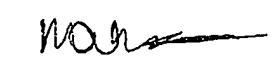
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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

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.

Note	Value (£'m)
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.

Note	Value (£'m)
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 to Silverstone Funding (No.1) Limited increased in the year. The inter-company loan enables Silverstone Funding (No.1) Limited 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 act as an issuer of notes and invest the proceeds as inter-company loans to Silverstone Funding (No.1) Limited.

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 16 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.

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

Results and Dividends

The profit for the financial year to 4 April 2018 was £2,081,000 (2017: £400,000 loss). This is composed primarily of net interest receivable and similar income of £1,015,000 (2017: £1,251,000 income), gains from derivatives and hedge accounting of £2,073,000 (2017: £408,000 losses) and operating expenses of £1,005,000 (2017: £1,241,000). No dividends were paid during the year (2017: £nil).

Profits on a cash flow basis are predetermined under the programme documentation. Under the securitisation transaction documents as modified by the Directors' resolution dated 30 March 2009, the cash flow profits before tax, which exclude gains/(losses) from derivatives and hedge accounting and foreign exchange gains/(losses), are fixed to a maximum of £10,000 per annum retainable from available revenue receipts from Silverstone Funding (No.1) Limited. The receipts more than those required to enable the Company to generate £10,000 cash flow profit before tax are distributed accordingly under the revenue priority of payments defined in the programme documentation.

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.

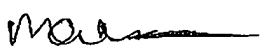
The Group has not been subject to the same level of regulatory censure as its main competitors, reflecting its commitment to delivering good conduct and fair customer outcomes.

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

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

The risk management objective and polices 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 Master Issuer Plc's (the 'Company') 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 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: balance sheet as at 4 April 2018; profit and loss account for the year ended 4 April 2018, statement of changes in equity for the year ended 4 April 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to those charged with governance.

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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 5 April 2017 to 4 April 2018.

Our audit approach

Overview

Overall materiality:	£40.0 million (2017: £40.8 million), based on 1% of total assets.
The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of account balances and transactions and other qualitative factors (including history of misstatement through fraud or error).	
The key audit matter for our audit was accounting for debt securities in issue	

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risks of acts by the Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements, including, but not limited to, the Companies Act 2006, the Finance Act 2005 and the underlying legal documents and agreements governing this Securitisation structure. Our tests included, but were not limited to, inspecting minutes of board meetings, discussions with management, and review and testing a sample of supporting documents, where applicable.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent Auditor's Report to the Directors of Silverstone Master Issuer PLC (Continued)

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Accounting for debt securities in issue Debt securities in issue are accounted for at amortised cost using effective interest rate method and will also be affected by the impact of foreign currency translation at each reporting period. The payments on the debt securities are made in line with the prevailing priority of payments (the 'waterfall') and hence subject to correct application of the waterfall. We therefore focus our testing on the measurement of the debt securities in issue and the associated cash flow movements.	We discussed the appropriateness of the recognition and measurement of the debt securities in issue with management. We undertook the following procedures to test management's measurement of the debt securities in issue: • Tested interest expense on debt securities in issue by recalculation. • Confirmed the contractual amounts outstanding at the year-end as being the opening balance less principal payments recognised during the year and agreed these balances to the appropriate investor reporting and publically available external balance reports. • Recalculated a sample of waterfall calculations and tied these back to the client's system (ABS suite) calculations. Based on the evidence obtained, we determined that the measurement of the debt securities in issue was reasonable and in accordance with accounting standards.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates. The Company is a subsidiary of Nationwide Building Society and is consolidated in the Group financial statements of Nationwide Building Society on which we issue a separate audit opinion.

For each financial statement line item we considered the financial significance and qualitative factors, including the presence of any significant audit risks, to determine our audit scope. Additionally the risk of material misstatement was mitigated through audit procedures including testing of entity level controls and analytical review procedures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent Auditor's Report to the Directors of Silverstone Master Issuer PLC (Continued)

Materiality (Continued)

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£40.0 million (2017: £40.8 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	As the special purpose entity (SPE) is established as a not for profit entity and funded almost entirely by debt, it would follow that users may focus their attention on the SPE's total assets as suggested by ISA (UK) 320 paragraph A4. It is therefore considered appropriate that overall materiality could in the context of an SPE audit be calculated as 1% of total assets.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2.0 million (2017: £2.0 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	***Outcome***
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. 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.

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, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 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.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors to audit the financial statements for the year ended 4 April 2009 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 4 April 2009 to 4 April 2018.

Laura Needham

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

Profit and Loss Account for the year ended 4 April 2018

	Note	2018 £'000	2017 £'000
Interest Receivable & Similar Income	3	46,373	103,874
Interest Payable & Similar Expenses	4	(45,358)	(102,623)
Net Interest Receivable & Similar Income		**1,015**	**1,251**
Gains/(Losses) From Derivatives & Hedge Accounting	5	2,073	(408)
Total Income		**3,088**	**843**
Operating Expenses	6	(1,005)	(1,241)
Profit/(Loss) Before Taxation		**2,083**	**(398)**
Income Tax Expense	7	(2)	(2)
Profit/(Loss) for the Financial Year		**2,081**	**(400)**

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

The notes on pages 14 to 30 form part of these financial statements.

Balance Sheet as at 4 April 2018

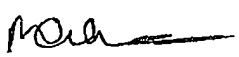
	Note	2018 £'000	2017 £'000
Assets			
Cash & Cash Equivalents	8	118	123
Loan to Related Company	9	3,763,666	3,656,204
Derivative Financial Instrument Assets	10	238,000	425,310
Other Assets	11	460	37
Total Assets		**4,002,244**	**4,081,674**
Liabilities			
Debt Securities in Issue	12	3,996,129	4,085,908
Derivative Financial Instrument Liabilities	10	8,106	-
Current Tax Liability	7	2	2
Other Liabilities	13	262	100
Total Liabilities		**4,004,499**	**4,086,010**
Equity			
Share Capital	14	50	50
Accumulated Losses	15	(2,305)	(4,386)
Total Equity		**(2,255)**	**(4,336)**
Total Liabilities & Equity		**4,002,244**	**4,081,674**

The notes on pages 14 to 30 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

Statement of Changes in Equity for the year ended 4 April 2018

	Note	Share Capital	Retained Earnings	Total Equity
		£'000	£'000	£'000
Balance at 5 April 2017		**50**	**(4,386)**	**(4,336)**
Profit for the Financial Year	15	-	2,081	**2,081**
Balance at 4 April 2018		**50**	**(2,305)**	**(2,255)**

	Note	Share Capital	Retained Earnings	Total Equity
		£'000	£'000	£'000
Balance at 5 April 2016		**50**	**(3,986)**	**(3,936)**
Loss for the Financial Year	15	-	(400)	**(400)**
Balance at 4 April 2017		**50**	**(4,386)**	**(4,336)**

The notes on pages 14 to 30 form part of these financial statements.

Notes to the Financial Statements for the year ended 4 April 2018

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 modified to include the fair valuation of derivatives to the extent required or permitted under relevant financial reporting framework and as set out in the relevant accounting policies. Accounting policies have been consistently applied in preparing these financial statements. The Company's 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.

1. Accounting Policies (Continued)

Interest Receivable and Interest Expense (Continued)

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 to Silverstone Funding (No.1) Limited to reduce cash flow to £10,000 per annum in accordance with the securitisation transaction documents.

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. All fair value adjustments on derivative contracts are ignored for taxation purposes as tax is assessed on the cash retained as profit in the Company.

Non-Derivative Financial Instruments

The Company classifies its loan to a related company as a loan and receivable held at amortised cost. This loan is subject to impairment review in accordance with IAS 39. Debt securities in issue are stated at amortised cost.

Derivative Hedge Accounting

a) Derivative Financial Instruments

Derivatives are carried at fair value with movements in fair values recorded in the profit and loss account. Derivative financial instruments are principally valued by discounted cash flow models using yield curves that are based on observable market data or are based on valuations obtained from counterparties. For collateralised positions the Company uses discount curves based on overnight indexed swap rates, and for non-collateralised positions the Company uses discount curves based on term LIBOR rates.

In the first instance fair values are calculated using mid prices. An adjustment is then made to derivative assets and liabilities to value them on a bid and offer basis respectively. The bid-offer adjustment is calculated on a portfolio basis and reflects the costs that would be incurred if substantially all residual net portfolio market risks were closed out using available hedging instruments or by disposing of or unwinding actual positions. The methodology for determining the bid-offer adjustment involves netting between long and short positions and the grouping of risk by type, in accordance with hedging strategy. Bid-offer spreads are derived from market sources such as broker data and are reviewed periodically.

1. Accounting Policies (Continued)

Derivative Hedge Accounting (Continued)

a) Derivative Financial Instruments (Continued)

In measuring fair value, separate credit valuation and debit valuation adjustments are made for counterparty or own credit risk to the extent not already included in the valuation.

All derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. Where there is the legal ability and intention to settle net, then the derivative is classified as a net asset or liability, as appropriate.

Where cash collateral is received, to mitigate the risk inherent in amounts due to the Company, it is included as a liability. Where cash collateral is given, to mitigate the risk inherent in amounts due from the Company, it is included as an asset.

b) Hedge Accounting

When transactions meet the criteria specified in IAS 39, the Company applies fair value hedge accounting so that changes in the fair value of the underlying asset or liability that are attributable to the hedged risk are recorded in the profit and loss account to offset the fair value movement of the related derivative.

To qualify for hedge accounting the hedge relationship must be clearly documented at inception and the derivative must be expected to be highly effective in offsetting the hedged risk. Effectiveness must be tested throughout the life of the hedge relationship.

The Company discontinues hedge accounting when:

- it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge;
- the derivative expires, or is sold, terminated or exercised; or
- the underlying item matures or is sold or repaid.

The Company may also decide to cease hedge accounting even though the hedge relationship continues to be highly effective by ceasing to designate the financial instrument as a hedge.

If the derivative no longer meets the criteria for hedge accounting, the cumulative fair value hedging adjustment is amortised over the period to maturity of the previously designated hedge relationship. If the underlying item is sold or repaid, the unamortised fair value adjustment is immediately reflected in the profit and loss account.

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 the loan to the related company 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 loan 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.

Foreign Exchange Translation

The Company holds monetary items denominated in foreign currencies which are translated to Sterling at the reporting date. The group utilises derivatives to economically hedge this foreign exchange exposure with fair value gains and losses on these derivatives presented within 'gains/losses from derivatives and hedge accounting' in the profit and loss account.

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 Loan to Silverstone Funding (No.1) Limited	38,736	85,993
Interest Received on Swap with Nationwide Building Society	5,813	15,190
Other Income	1,824	2,691
	46,373	**103,874**

4. Interest Payable and Similar Expenses	2018	2017
	£'000	£'000
Interest Payable on Debt Securities	45,358	102,623
	45,358	**102,623**

5. Gains/(Losses) from Derivatives and Hedge Accounting	2018	2017
	£'000	£'000
Derivatives Designated as Fair Value Hedges	(21,499)	(24,291)
Fair Value Movement Attributable to Hedged Risk	21,787	24,528
Gains from Fair Value Hedge Accounting (Note i)	**288**	**237**
Gains/(Losses) from Foreign Currency Derivatives (Note ii)	4,875	(8,210)
Foreign Exchange Gain/(Loss)	(3,090)	7,565
	2,073	**(408)**

Notes

(i) Gains or losses from fair value hedges can arise where there is a hedge accounting relationship in place and either:

- The relationship passed all the monthly effectiveness tests but the fair value of the derivative was not exactly offset by the change in fair value of the liability being hedged (something referred to as hedge effectiveness) or
- The relationship failed a monthly effectiveness test which, for that month, disallows recognition of the change in fair value of the underlying asset or liability being hedged and in following months lead to the amortisation of existing balance sheet positions.

(ii) Other derivatives are those used for economic hedging but which are not in an IAS 39 hedge accounting relationship because hedge accounting is not currently applied.

Although the Group uses derivatives exclusively to hedge risk exposure in interest rates or exchange rates, volatility in the profit and loss account can still arise due to hedge accounting ineffectiveness or because hedge accounting is not achievable. Management recognise that this arises from the application of accounting rules which do not reflect the economic reality of the business and as such this volatility will continue period on period but will always trend back to zero over time.

5. Gains/(Losses) from Derivatives and Hedge Accounting (Continued)

A profit of £2,073,000 (2017: £408,000 loss) has been recognised in the year ended 4 April 2018 for derivatives and hedge accounting. Included within this result was the impact of the following:

- Gain of £288,000 (2017: £237,000) on hedge accounting relationships
- Gain of £4,875,000 (2017: £8,210,000 loss) on cross currency interest rate swaps used to economically hedge non-Sterling wholesale funding
- Loss of £3,090,000 (2017: £7,565,000 gain) on foreign exchange as a result of the revaluation of currency items

6. Operating Expenses

Operating expenses include fees payable to PricewaterhouseCoopers as auditors of £40,000 (2017: £31,667) and non-audit fees of £38,000 (2017: £ nil).

The directors' contracts of service are with the Group and their remuneration is included within the Groups' financial statements. All directors accrue benefits under the Group's defined contribution pension scheme. The directors provide services to the Group, and their principal activities are not specific to the business of this Company. Hence, no directors' emoluments are disclosed in the financial statements of the Company.

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

The tax on the Company's profit/loss before taxation differs from the theoretical amount that would arise using the tax rate applicable to profits/losses of the company as follows:

	2018 £'000	2017 £'000
Profit/(Loss) Before Taxation	2,083	(398)
Tax at 19% (2017: 20%)	396	(80)
Adjustments in Respect of Securitisation Regime	(394)	82
Total Income Tax Expense	**2**	**2**

The Company's tax expense is based on the permanent tax regime for securitisation companies. All fair value adjustments on derivative contracts are ignored for taxation purposes as tax is assessed on the cash retained in the Company.

A corporation tax expense has been recognised on the Company's retained cash profit of the maximum amount allowed under the transaction documents of £10,000 at 20% (2017: 20%) which is the rate applicable to securitisation company profits.

8. Cash and 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 £118,000 (2017: £123,000) available for allocation under the priority of payments.

9. Loan to Related Company

	2018	2017
	£'000	£'000
Loan to Silverstone Funding (No.1) Limited	3,754,934	3,646,900
Accrued Interest on Loan to Silverstone Funding (No.1) Limited	8,732	9,304
	3,763,666	**3,656,204**

The loan to Silverstone Funding (No.1) Limited is denominated in Sterling and is based on three-month LIBOR plus a margin. The loan is secured against a beneficial interest in a mortgage portfolio held by the Trust on behalf of Silverstone Funding (No.1) Limited.

10. Derivative Financial Instruments

2018	Contract/Notional Amount £'000	Fair Value Asset £'000	Fair Value Liability £'000
Derivatives Designed as Fair Value Hedging Instruments			
Interest Rate Swaps	354,962	-	2,624
Other Derivatives Not Designated in Hedge Accounting Relationships			
Cross Currency Interest Rate Swaps	2,292,881	238,000	5,482
	2,647,843	238,000	8,106

2017	Contract/Notional Amount £'000	Fair Value Asset £'000	Fair Value Liability £'000
Derivatives Designed as Fair Value Hedging Instruments			
Interest Rate Swaps	401,671	7,063	-
Other Derivatives Not Designated in Hedge Accounting Relationships			
Cross Currency Interest Rate Swaps	2,265,555	418,247	-
	2,667,226	425,310	-

The derivative asset and liability fair values in the above table are inclusive of accrued interest of £81,000 and £1,009,000 respectively (2017: £1,970,000 and £ nil respectively).

An analysis of the maturity profiles of the derivatives can be found in note 16. The contract/notional amount indicates the amount outstanding at the balance sheet date and does not represent amounts at risk.

10. Derivative Financial Instruments (Continued)

Offsetting

The Company has financial assets and liabilities for which there is a legally enforceable right to set off the recognised amounts, and which may be settled net. However, the netting arrangements do not result in an offset of balance sheet assets and liabilities for accounting purposes as the right to set off is not unconditional in all circumstances. Therefore, in accordance with IAS 32 Financial Instruments: Presentation, there are no financial assets or liabilities which are offset with the net amount presented on the balance sheet. All financial assets and liabilities are presented on a gross basis on the balance sheet.

In accordance with IFRS 7 Financial Instruments: Disclosures, the following table shows the impact on derivative financial instruments, relating to transactions where:

- There is an enforceable master netting arrangement or similar agreement in place but the offset criteria are otherwise not satisfied
- Financial collateral is paid and received

Master netting arrangements consist of agreements such as an International Swaps and Derivatives Association (ISDA) Master Agreement, whereby outstanding transactions with the same counterparty can be offset and settled net following a default or other predetermined event.

Financial collateral on derivative financial instruments consists of cash and securities settled, typically daily or weekly, to mitigate the mark to market exposures. Where cash collateral is received to mitigate the risk inherent in amounts due to the Company, it is included as a liability. Where cash collateral is given to mitigate the risk inherent in amounts due from the Company, it is included as an asset. As at 4 April 2018 and 2017, all derivative contracts were with Nationwide Building Society and were uncollateralised.

The 'Net amounts after offsetting under IFRS 7' presented shows the exposure to counterparty credit risk for derivative contracts after netting benefits, and are not necessarily intended to represent the Company's actual exposure to credit risk due to a variety of credit mitigation strategies which may be employed in addition to netting and collateral arrangements. Any such credit mitigation strategies are discussed further in the Credit Risk section of note 16.

	Amounts Reported on the Balance Sheet	Master Netting Arrangements	Net Amounts After Offsetting Under IFRS 7
2018	**£'000**	**£'000**	**£'000**
Financial Assets			
Derivative Financial Instruments	238,000	-	238,000
Total Assets	**238,000**	**-**	**238,000**
Financial Liabilities			
Derivative Financial Instruments	8,106	-	8,106
Total Liabilities	**8,106**	**-**	**8,106**
2017			
Financial Assets			
Derivative Financial Instruments	425,310	-	425,310
Total Assets	**425,310**	**-**	**425,310**
Financial Liabilities			
Derivative Financial Instruments	-	-	-
Total Liabilities	**-**	**-**	**-**

11. Other Assets

	2018	2017
	£'000	£'000
Unpaid Share Capital	38	37
Amounts Due from Silverstone Funding (No.1) Limited	422	-
	460	37

The Company has issued share capital of £50,000 ordinary shares of £1 each, of which 49,998 were partly paid to £0.25 each and two were fully paid.

12. Debt Securities in Issue

2018	< 1 Year £'000	1 - 5 Years £'000	> 5 Years £'000	Total £'000
Fixed				
US Dollar	-	354,962	-	**354,962**
Floating				
Sterling	325,000	277,053	860,000	**1,462,053**
Euro	-	1,266,871	-	**1,266,871**
US Dollar	-	905,154	-	**905,154**
Accrued Interest	10,043	-	-	**10,043**
Fair Value Adjustment for Micro Hedged Risk	-	(2,954)	-	**(2,954)**
	335,043	**2,801,086**	**860,000**	**3,996,129**

2017	< 1 Year £'000	1 - 5 Years £'000	> 5 Years £'000	Total £'000
Fixed				
US Dollar	-	401,671	-	**401,671**
Floating				
Sterling	470,936	912,053	-	**1,382,989**
Euro	-	1,240,854	-	**1,240,854**
US Dollar	421,754	622,590	-	**1,044,344**
Accrued Interest	9,602	-	-	**9,602**
Fair Value Adjustment for Micro Hedged Risk	-	6,448	-	**6,448**
	902,292	**3,183,616**	-	**4,085,908**

Fixed rate US Dollar issuances are priced at 4.15% (2017: 4.15%). Floating rate Sterling issuances are priced against 3 month LIBOR with a weighted average margin of 0.62% (2017: 0.88%). Floating rate Euro issuances are priced against 3 month EURIBOR with a weighted average margin of 0.38% (2017: 0.38%). Floating rate US Dollar issuances are priced against 3 month USD LIBOR with a weighted average margin of 0.53% (2017: 1.04%). There have been no defaults in principal, interest or other breaches with respect to liabilities in the year (2017: none).

13. Other Liabilities	2018	2017
	£'000	£'000
Accruals	262	-
Due to Silverstone Funding (No.1) Limited	-	100
	262	**100**

14. Share Capital	2018	2017
	£'000	£'000
Authorised and Issued: Ordinary Shares of £1 Each	50	50
Number of Shares		
Issued and Fully Paid: Ordinary Shares of £1	2	2
Issued and One Quarter Paid: Ordinary Shares of £1	49,998	49,998

The Company was registered as Silverstone Master Issuer PLC in England and Wales on 5 June 2008 as a public limited company, with authorised share capital of £50,000 comprising 50,000 ordinary shares of £1 each. All the authorised share capital of £50,000 was issued, of which 49,998 were partly paid to £0.25 each and two shares were fully paid up.

15. Accumulated Losses	2018	2017
	£'000	£'000
Balance Brought Forward	(4,386)	(3,986)
Profit/(Loss) for the Financial Year	2,081	(400)
Balance at the End of the Year	**(2,305)**	**(4,386)**

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

16. 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, interest rate risk and foreign currency 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 default on the unlisted security with Silverstone Funding (No.1) Limited, which in turn depends on the credit risk associated with the securitised pool of mortgages originated within Nationwide Building Society.

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

Credit Risk (Continued)

The Company meets its obligations on the notes issued using the cash flows it receives from Silverstone Funding (No.1) Limited who, in turn, meets its obligations for cash flows on the mortgage loans. These represent the main recourse for the Company. Therefore, 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 Nationwide Building Society and 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 Silverstone Funding (No.1) Limited, 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.

Excess spread and a reserve fund are the forms of credit enhancement provided to the securitisation structure within Silverstone Funding (No.1) Limited. The income on the mortgage pool, including the basis swap held by Silverstone Funding (No.1) Limited, is expected to exceed the interest receivable on the Company's inter-company loan to Silverstone Funding (No.1) Limited. The excess spread in Silverstone Funding (No.1) Limited is available to make good any reduction in the principal balance of the mortgage pool because of defaults by customers. In addition, Nationwide Building Society provided a start-up loan to Silverstone Funding (No.1) Limited to create a reserve fund which can be used by Silverstone Funding (No.1) Limited in certain circumstances. As at 4 April 2018 the reserve fund was £100,000,000 (2017: £100,000,000).

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 books 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 and derivative contracts 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 Company, the programme 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 Buildings 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.

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

Risk Management and Control of the Group (Continued)

Securitised Mortgage Assets

The tables below 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.

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

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	24,652	44.0
Past Due 6 to 12 Months	16,488	33.0	17,018	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.

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

Securitised Mortgage Assets (Continued)

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

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 notes and the other expenses depends upon the Company receiving enough cash flows from Silverstone Funding (No.1) Limited.

Principal repayments are made on the notes in accordance with the Company's principal priority of payments and reflect the amounts of principal collection on the inter-company loans.

The Company is obliged to make payments on the notes to the extent it receives enough cash flows from Silverstone Funding (No.1) Limited in relation to the inter-company loans. Silverstone Funding (No.1) Limited will use the principal funds from the mortgage pool to repay the inter-company loans in accordance with the expected due date. 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 receive enough funds from Silverstone Funding (No.1) Limited on the inter-company loans, then the notes may not be paid in full and a part of the notes may be deferred to subsequent years. Such deferred amounts will remain due but not payable until funds are available in accordance with the relevant priority of payments. Variations in the rate of prepayment of principal on the loans may affect each series and class of notes differently.

The terms of the notes specify that payments on the notes will only be made to the extent that sufficient cash flows have been received from the Company's assets.

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.

Notes to the Financial Statements for the year ended 4 April 2018 (Continued)

16. 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
Assets	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash Equivalents	118	-	-	-	-	-	-	-	118
Related Party Loan	8,732	-	325,000	-	-	441,771	2,077,503	910,660	3,763,666
Derivatives	(1,383)	-	-	-	-	3,931	235,452	-	238,000
Other Assets	-	-	-	-	-	-	-	460	460
Total Assets	7,467	-	325,000	-	-	445,702	2,312,955	911,120	4,002,244
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt Securities	10,043	-	325,000	-	-	445,229	2,355,857	860,000	3,996,129
Derivatives	667	-	-	-	-	-	7,439	-	8,106
Tax	2	-	-	-	-	-	-	-	2
Other Liabilities	262	-	-	-	-	-	-	-	262
Total Liabilities	10,974	-	325,000	-	-	445,229	2,363,296	860,000	4,004,499
Net Position	(3,507)	-	-	-	-	473	(50,341)	51,120	(2,255)

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
Assets	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash Equivalents	123	-	-	-	-	-	-	-	123
Related Party Loan	-	-	545,593	-	-	585,300	2,525,311	-	3,656,204
Derivatives	(8,509)	-	89,589	-	-	-	344,230	-	425,310
Other Assets	-	-	-	-	-	-	-	37	37
Total Assets	(8,386)	-	635,182	-	-	585,300	2,869,541	37	4,081,674
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt Securities	337,000	-	436,465	63,982	64,845	608,170	2,575,446	-	4,085,908
Derivatives	-	-	-	-	-	-	-	-	-
Tax	2	-	-	-	-	-	-	-	2
Other Liabilities	-	-	-	-	-	-	-	100	100
Total Liabilities	337,002	-	436,465	63,982	64,845	608,170	2,575,446	100	4,086,010
Net Position	(345,388)	-	198,717	(63,982)	(64,845)	(22,870)	294,095	(63)	(4,336)

Cash flows on the loan to the Trust within Silverstone Funding (No.1) Limited (the deemed loan from the Originator) are dependent on the underlying mortgage loans originated within Nationwide Building Society.

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

- 2 January 2053
- 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.

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

Liquidity and Funding Risk (Continued)

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 debt securities in issue 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 inter-company loan and the notes may be spread over a longer period.

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 cash flows payable by the Company under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values).

Gross Contractual Cash Flow 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
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt Securities	126,385	-	279,490	159,300	159,124	822,535	1,562,383	1,074,490	4,183,707
Derivatives	(1,263)	-	(1,435)	(707)	(476)	(1,807)	(1,711)	-	(7,399)
Tax	2	-	-	-	-	-	-	-	2
Other Liabilities	262	-	-	-	-	-	-	-	262
Total Liabilities	125,386	-	278,055	158,593	158,648	820,728	1,560,672	1,074,490	4,176,572

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
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt Securities	339,636	-	449,463	75,720	75,757	651,545	2,631,117	-	4,223,238
Derivatives	-	-	-	-	-	-	-	-	-
Tax	2	-	-	-	-	-	-	-	2
Other Liabilities	-	-	-	-	-	-	-	100	100
Total Liabilities	339,638	-	449,463	75,720	75,757	651,545	2,631,117	100	4,223,340

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

Interest Rate Risk

The Company is exposed to interest rate risk in that its Sterling interest expense is at fixed and floating rate, whilst its interest income originates from its loan relationship with Silverstone Funding (No.1) Limited at Sterling floating rates. The Company hedges its exposure to fixed interest rate risk through entering interest rate swaps with Nationwide Building Society, which are utilised for hedge accounting. Using interest rate swaps, the Company can swap the fixed interest payable on its fixed rate notes for floating rate, which minimises the Company's exposure to interest rate risk.

Foreign Currency Risk

The Company's assets are denominated in Sterling. The Silverstone scheme permits notes to be issued in Sterling, Euros or US Dollars, and notes are currently in issue for each of these currencies. The Company is therefore exposed to currency risk for the notes issued in Euros and US Dollars. To manage this risk, the Company has entered cross currency swaps at the time of the note issuances and therefore has no net foreign currency risk over the life of the notes.

17. Fair Value of Financial Assets and Liabilities

Fair Value of Financial Assets and Liabilities at Amortised Cost

Fair value of financial assets and liabilities presented on the balance sheet at amortised cost.

2018	Carrying Value £'000	Fair Value £'000
Assets		
Loan to Related Company	3,763,666	3,857,844
Liabilities		
Debt Securities in Issue	3,996,129	4,029,813

2017	Carrying Value £'000	Fair Value £'000
Assets		
Loan to Related Company	3,656,204	3,657,076
Liabilities		
Debt Securities in Issue	4,085,908	4,135,498

The estimated fair value of loans due from related company represents the discounted amount of estimated future cash flows expected to be received based on the underlying mortgage pool assets. Expected cash flows are discounted at current market rates to determine fair value. These are classified as level 3 in the fair value hierarchy.

The aggregate fair value of the debt securities in issue is calculated using market prices where available otherwise a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity. These are classified as level 2 in the fair value hierarchy.

17. Fair Value of Financial Assets and Liabilities (Continued)

Fair Value of Financial Assets and Liabilities Held at Fair Value

The fair value of the derivatives falls within level 2 of the fair value hierarchy. Financial instruments classified as level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include swap derivative financial instruments which are valued using market standard pricing techniques. There are no instruments that fall within level 3 of the fair value hierarchy as at 4 April 2018 (2017: none). There have been no movements in and out of level 3 throughout the year.

18. Capital Management

Capital is managed on a Group basis.

19. Parent Undertaking and Ultimate Controlling Entity

Silverstone Master Issuer PLC 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.

20. Post Balance Sheet Events

There were no other material events after 4 April 2018 that have not been reflected in the financial statements.