

Registered Number: 06612744

Silverstone Master Issuer PLC

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



Contents	Page
Directors and Company Information	2
Directors' Report for the year ended 4 April 2019	3
Strategic Report for the year ended 4 April 2019	7
Independent Auditors' Report	9
Profit and Loss Account for the year ended 4 April 2019	14
Balance Sheet as at 4 April 2019	15
Statement of Changes in Equity for the year ended 4 April 2019	16
Notes to the Financial Statements for the year ended 4 April 2019	17

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 Auditor
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

06612744
Registered in England and Wales

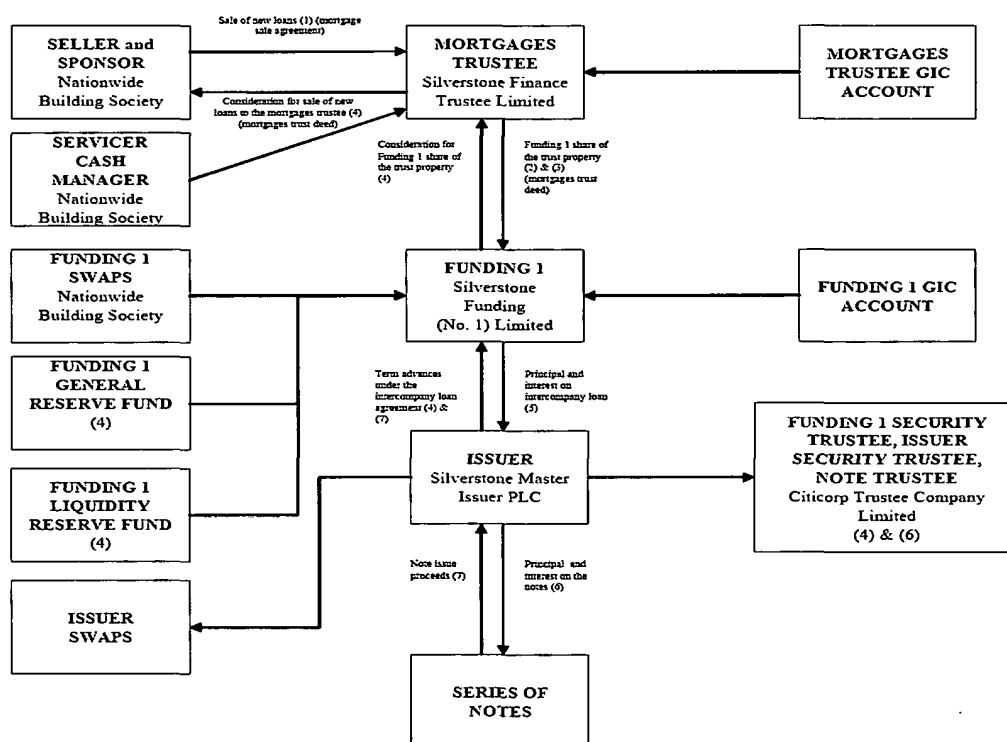
Directors' Report for the year ended 4 April 2019

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.

Principal Activities

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 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 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 England and Wales. 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. The losses reported in the Company, which have resulted in a negative equity position, are due to fair value movements on derivatives and are not cash losses. They do not have an impact on the going concern assumption.

Details on future developments, dividends and financial risk management are included in the Strategic Report on pages 7 – 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.

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 and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the directors, whose names and functions are listed in Directors and Company Information confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Directors' Report for the year ended 4 April 2019 includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

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.

SILVERSTONE MASTER ISSUER PLC

Directors' Report for the year ended 4 April 2019 (Continued)

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 MASTER ISSUER PLC

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 to Silverstone Funding (No.1) Limited decreased 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 14 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.

Results and Dividends

The loss for the financial year to 4 April 2019 was £1,561,000 (2018: £2,081,000 profit). This is composed primarily of net interest receivable and similar income of £1,316,000 (2018: £1,015,000), losses from derivatives and hedge accounting of £1,567,000 (2018: £2,073,000 gains) and operating expenses of £1,308,000 (2018: £1,005,000). No dividends were paid during the year (2018: £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.

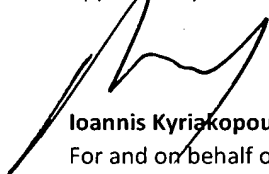
The Group has not been subject to the same level of regulatory censure as its main competitors, reflecting its commitment to delivering good conduct and fair customer outcomes.

In common with other retail financial services organisations, our business model results in many inherent risks which are continuously monitored and 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 Master Issuer PLC'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 loss 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 for the year ended 4 April 2019 (the "Annual Report"), which comprise: Balance Sheet as at 4 April 2019, Profit and Loss Account and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

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

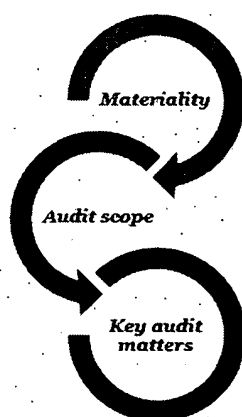
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the company in the period from 5 April 2018 to 4 April 2019.

Our audit approach

Overview



- Overall materiality: £33.9 million (2018: £40.0 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. In particular we looked at the areas of significant accounting estimates.

SILVERSTONE MASTER ISSUER PLC
Independent Auditors' Report to the Directors of Silverstone Master Issuer PLC (Continued)

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. In particular we looked at the areas of significant accounting estimates.

Capability of the audit in detecting irregularities, including Fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of relevant laws and regulations such as, but not limited to the legal framework governing the Securitisation structure. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Incorporation of unpredictability into the nature, timing and/or extent of our testing;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Testing of period end adjustments; and
- Identifying and testing journal entries, in particular any journal entries posted by senior management including the directors or infrequent users, posted on unusual days, posted with descriptions indicating a higher level of risk, posted to unusual account combinations, or duplicate journal entries and material late adjustments.

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. Also, 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.

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.

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 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. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements. We tested and examined information using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to form our own judgements. We obtained audit evidence by testing the effectiveness of controls, substantive procedures or a combination of both.

SILVERSTONE MASTER ISSUER PLC

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

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.

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

Overall materiality	£33.9 million (2018: £40.0 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	Silverstone Master Issuer PLC is a special purpose entity ("SPE") which is not itself profit-oriented, and is funded almost entirely by debt. It follows that users would focus their attention on the SPE's total assets as suggested by ISA (UK) 320. 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 those charged with governance that we would report to them misstatements identified during our audit above £1.7 million (2018: £2.0 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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 the 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 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.

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, Directors' Report for the year ended 4 April 2019 and Corporate Governance Statement, 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 for the year ended 4 April 2019

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 for the year ended 4 April 2019.

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

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 on 5 June 2008 to audit the financial statements for the year ended 4 April 2009 and subsequent financial periods. On 15 March 2019, following a successful re-tendering process, we were reappointed by the Audit Committee to perform the audit for the year ended 4 April 2019. The period of total uninterrupted engagement is 11 years, covering the years ended 4 April 2009 to 4 April 2019.



Laura Needham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 July 2019

SILVERSTONE MASTER ISSUER PLC**Profit and Loss Account for the year ended 4 April 2019**

	Note	2019 £'000	2018 £'000
Interest Receivable and Similar Income	3	54,720	40,560
Interest Payable and Similar Expenses	4	(53,404)	(39,545)
Net Interest Receivable & Similar Income		1,316	1,015
(Losses)/Gains from Derivatives and Hedge Accounting	5	(1,567)	2,073
Total (Expense)/Income		(251)	3,088
Operating Expenses	6	(1,308)	(1,005)
(Loss)/Profit Before Taxation		(1,559)	2,083
Income Tax Expense	7	(2)	(2)
(Loss)/Profit for the Financial Year		(1,561)	2,081

No other comprehensive income was earned during the year (2018: £nil).

The notes on pages 15 to 37 form part of these financial statements.

SILVERSTONE MASTER ISSUER PLC**Balance Sheet as at 4 April 2019**

	Note	2019 £'000	2018 £'000
Assets			
Cash and Cash Equivalents	8	-	118
Loan to Related Company	9	3,117,329	3,763,666
Derivative Financial Instrument Assets	10	271,696	238,000
Other Assets	11	152	460
Total Assets		3,389,177	4,002,244
Liabilities			
Debt Securities in Issue	12	3,391,111	3,996,129
Derivative Financial Instrument Liabilities	10	1,830	8,106
Current Tax Liability	7	2	2
Other Liabilities	13	50	262
Total Liabilities		3,392,993	4,004,499
Equity			
Share Capital	14	50	50
Accumulated Losses	15	(3,866)	(2,305)
Total Equity		(3,816)	(2,255)
Total Liabilities & Equity		3,389,177	4,002,244

The notes on pages 15 to 37 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 MASTER ISSUER PLC**Statement of Changes in Equity for the year ended 4 April 2019**

	Note	Share Capital £'000	Accumulated Losses £'000	Total Equity £'000
Balance at 5 April 2018		50	(2,305)	(2,255)
Loss for the Financial Year	15	-	(1,561)	(1,561)
Balance at 4 April 2019		50	(3,866)	(3,816)

	Note	Share Capital £'000	Accumulated Losses £'000	Total Equity £'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)

The notes on pages 15 to 37 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 modified to include the fair valuation of derivatives to the extent required or permitted under the relevant financial reporting framework and as set out in the relevant accounting policies. 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 Silverstone Funding (No.1) Limited 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. 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

Financial assets comprise of the related company loan and financial liabilities of debt securities in issue. Non-derivative financial instruments are held at amortised cost.

Derecognition of non-derivative 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.

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.

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

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.

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

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 deemed 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.

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.

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.

1. Accounting Policies (Continued)**Derivative Hedge Accounting (Continued)****b) Hedge Accounting**

The Company applies IAS 39 for all of its hedge accounting requirements. When transactions meet the criteria specified in IAS 39, the Company can apply two types of hedge accounting: either hedges of the changes in fair value of the financial asset or liability or hedges of the variability in cash flows of the financial asset or liability. The Company does not have hedges of net investments. The financial statement note for derivative financial instruments sets out the split of the derivative portfolio between fair value, cash flow and no hedge accounting at the balance sheet date.

At inception each hedge relationship is formally documented, including a description of the hedged item (a financial asset or liability which is being economically hedged) and the hedging instrument (a derivative), as well as the methods which will be used to assess the effectiveness of the hedge. Hedges are required to be highly effective (i.e. the fair value offset between hedged item and hedging instrument is in the 80-125% range) on both a retrospective and a prospective basis.

Fair value and cash flow hedges may have residual hedge ineffectiveness. This is the degree to which the change in fair value of the hedging instrument does not offset the change in fair value of the hedged item. This ineffectiveness is recognised in the income statement and typically arises from:

- differences in the magnitude or timing of future expected cashflows in the hedged item and hedging instrument;
- differences in the market curves used to value the hedged item and hedging instrument;
- unexpected adjustments to either the hedged item or hedging instrument, due to early repayments or disposals;
- the ongoing amortisation of any existing balance sheet mismatch between the fair value of the hedged item and hedging instrument.

The Company discontinues hedge accounting when:

- it is evident from testing that a hedging instrument is not, or has ceased to be, highly effective as a hedge;
- the hedging instrument expires, or is sold, terminated or exercised;
- the hedged item matures or is sold or repaid or, in the case of a forecasted item, is no longer deemed to be highly probable to occur.

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.

1. Accounting Policies (Continued)**Derivative Hedge Accounting (Continued)****Fair Value Hedge Accounting**

Fair value hedge accounting results in the carrying value of the hedged item being adjusted to reflect changes in fair value attributable to the risk being hedged. This creates an offset to the fair value movements of the hedging instrument. Changes in the fair value of the hedged items and hedging instruments are recorded in the income statement.

For larger and distinctively identifiable assets and liabilities, such as debt securities in issue, a single or small number of hedging instruments may be used. This is referred to as a micro fair value hedge. If the hedge is highly effective, the Company adjusts the carrying value of that specific asset or liability to reflect changes in its fair value due to movements in the designated benchmark rate, such as Libor or Sonia. This creates an offset to the fair value movement of the hedging instruments.

In fair value hedge accounting relationships, if the hedging instrument no longer meets the criteria for hedge accounting, the cumulative fair value hedge adjustment is amortised over the period to maturity of the previously designated hedge relationship. If the hedged item is sold or repaid, the unamortised fair value adjustment is immediately recognised in the income statement.

Cash Flow Hedge Accounting

In a cash flow hedge accounting relationship, the portion of the hedging instrument's fair value movement that is deemed to be an effective hedge is deferred to the cash flow hedge reserve, instead of being immediately recognised in the income statement. The ineffective portion of the derivative fair value movement is recognised immediately in the income statement.

Amounts deferred to the cash flow hedge reserve are subsequently recycled to the income statement. This recycling occurs when the underlying asset or liability being hedged impacts the income statement, for example when interest payments are recognised. In cash flow hedge accounting relationships, if the derivative no longer meets the criteria for hedge accounting, the cumulative gain or loss from the effective portion of the movement in the fair value of the derivative remains in other comprehensive income until the cash flows from the underlying hedged item are recognised in the income statement. If the hedged item is sold or repaid, the cumulative gain or loss in other comprehensive income is immediately recognised in the income statement.

Foreign Exchange Translation

The Company holds monetary items denominated in foreign currencies which are translated at the rate prevailing at the balance sheet date. The Group applies cash flow hedge accounting to derivatives which are used to economically hedge foreign currency items 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**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 MASTER ISSUER PLC**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 Loan to Silverstone Funding (No.1) Limited	52,238	38,736
Other Income	2,482	1,824
	54,720	40,560

4. Interest Payable and Similar Expenses	2019	2018
	£'000	£'000
Interest Payable on Debt Securities	62,574	45,358
Interest Received on Swap with Nationwide Building Society	(9,170)	(5,813)
	53,404	39,545

Interest received on swaps with Nationwide Building Society has been reclassified from interest receivable and similar income to interest payable and similar expenses. Comparatives have been restated.

5. (Losses)/Gains from Derivatives and Hedge Accounting	2019	2018
	£'000	£'000
Derivatives Designated as Fair Value Hedges	2,207	(21,499)
Fair Value Movement Attributable to Hedged Risk	(2,217)	21,787
(Losses)/Gains from Fair Value Hedge Accounting (Note i)	(10)	288
(Losses)/Gains from Foreign Currency Derivatives (Note ii)	(3,166)	4,875
Foreign Exchange Gain/(Loss)	1,609	(3,090)
	(1,567)	2,073

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

A loss of £1,567,000 (2018: £2,073,000 profit) has been recognised in the year ended 4 April 2019 for derivatives and hedge accounting. Included within this result was the impact of the following:

- Loss of £10,000 (2018: £288,000 gain) on hedge accounting relationships
- Loss of £3,166,000 (2018: £4,875,000 gain) on cross currency interest rate swaps used to economically hedge non-Sterling wholesale funding
- Gain of £1,609,000 (2018: £3,090,000 loss) on foreign exchange as a result of the revaluation of currency items

Fair Value Hedge Accounting

Change in Fair Value used for Determining Hedge Ineffectiveness	Hedged Item	Instrument *
	2019	2019
	£'000	£'000
Debt Securities in Issue	(2,217)	2,207
<i>* Interest Rate Swaps</i>		
		2019
		£'000
Hedge Ineffectiveness Recognised in the Income Statement		(10)
Carrying Amount of the Hedged Item		383,865
Of Which: Accumulated Fair Value Adjustment		(1,158)

6. Operating Expenses

Operating expenses include fees payable to PricewaterhouseCoopers LLP as auditors of £42,000 (2018: £40,000) and no non-audit related fees (2018: £38,000) for the year ended 4 April 2019.

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	2019	2018
	£'000	£'000
Current Tax Expense (UK Corporation Tax at 19%)	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:

	2019	2018
	£'000	£'000
(Loss)/Profit Before Taxation	(1,559)	2,083
Tax at 19%	(296)	396
Adjustments in Respect of Securitisation Regime	298	(394)
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 the standard rate of corporation tax of 19% (2018: 19%).

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. No balance (2018: £118,000) for allocation under the priority of payments was available at 4 April 2019.

9. Loan to Related Company	2019	2018
	£'000	£'000
Loan to Silverstone Funding (No.1) Limited	3,106,569	3,754,934
Accrued Interest on Loan to Silverstone Funding (No.1) Limited	10,760	8,732
	3,117,329	3,763,666

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.

9. Loan to Related Company (Continued)

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	3,763,666	-	-	-	-	-	3,763,666	-
Stage Transfers	-	-	-	-	-	-	-	-
Movements	(646,337)	-	-	-	-	-	(646,337)	-
04 April 2019	3,117,329	-	-	-	-	-	3,117,329	-
Net Carrying Amount		3,117,329		-		-		3,117,329
Income Statement Charge for the Year								-

The 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 loan balance reflects the bonds in issue and movements during the year are a result of net issuances and redemptions.

10. Derivative Financial Instruments

	Contract/Notional Amount	Fair Value Asset	Fair Value Liability
	£'000	£'000	£'000
2019			
<u>Derivatives Designed as Fair Value Hedging Instruments</u>			
Interest Rate Swaps	381,767	-	1,636
<u>Other Derivatives Not Designated in Hedge Accounting Relationships</u>			
Cross Currency Interest Rate Swaps	2,037,016	271,696	194
	2,418,783	271,696	1,830
	Contract/Notional Amount	Fair Value Asset	Fair Value Liability
	£'000	£'000	£'000
2018			
<u>Derivatives Designed as Fair Value Hedging Instruments</u>			
Interest Rate Swaps	354,962	-	2,624
<u>Other Derivatives Not Designated in Hedge Accounting Relationships</u>			
Cross Currency Interest Rate Swaps	2,292,881	238,000	5,482
	2,647,843	238,000	8,106

The derivative asset and liability fair values in the above table are inclusive of accrued interest of £1,900,000 and £313,000 respectively (2018: £81,000 and £1,009,000 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 2019 and 2018, 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
	£'000	£'000	£'000
2019			
Financial Assets			
Derivative Financial Instruments	271,696	(1,830)	269,866
Total Assets	271,696	(1,830)	269,866
Financial Liabilities			
Derivative Financial Instruments	1,830	(1,830)	-
Total Liabilities	1,830	(1,830)	-
2018			
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

11. Other Assets

	2019 £'000	2018 £'000
Unpaid Share Capital	38	38
Amounts Due from Silverstone Funding (No.1) Limited	114	422
	152	460

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

	< 1 Year £'000	1 - 5 Years £'000	> 5 Years £'000	Total £'000
2019				
Fixed				
US Dollar	-	381,767	-	381,767
Floating				
Sterling	182,500	577,053	310,000	1,069,553
Euro	270,616	874,791	-	1,145,407
US Dollar	336,527	446,667	-	783,194
Accrued Interest	12,348	-	-	12,348
Fair Value Adjustment for Micro Hedged Risk	-	(1,158)	-	(1,158)
	801,991	2,279,120	310,000	3,391,111
2018				
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

Fixed rate US Dollar issuances are priced at 4.15% (2018: 4.15%). Floating rate Sterling issuances are priced against 3 month LIBOR with a weighted average margin of 0.77% (2018: 0.62%). Floating rate Euro issuances are priced against 3 month EURIBOR with a weighted average margin of 0.39% (2018: 0.38%). Floating rate US Dollar issuances are priced against 3 month USD LIBOR with a weighted average margin of 0.52% (2018: 0.53%). There have been no defaults in principal, interest or other breaches with respect to liabilities in the year (2018: none).

SILVERSTONE MASTER ISSUER PLC**Notes to the Financial Statements for the year ended 4 April 2019 (Continued)**

13. Other Liabilities	2019	2018
	£'000	£'000
Accruals	50	262
	50	262

14. Share Capital	2019	2018
	£'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	2019	2018
	£'000	£'000
Balance Brought Forward	(2,305)	(4,386)
(Loss)/Profit for the Financial Year	(1,561)	2,081
Balance at the End of the Year	(3,866)	(2,305)

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

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.

16. 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 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 2019 the reserve fund was £100,000,000 (2018: £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.

Function	Counterparty	S&P, Moody's, Fitch (04/04/2019)		Trigger Breached	S&P, Moody's, Fitch (17/07/2019)	
		Short Term	Long Term		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+

16. 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	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.

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

Repossessions	2019	2018
	Number	Number
Repossessions During the Year	22	36
Repossessions 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 notes and 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.

SILVERSTONE MASTER ISSUER PLC
Notes to the Financial Statements for the year ended 4 April 2019 (Continued)
16. Risk Management and Control of the Group (Continued)
Liquidity and Funding Risk (Continued)
Residual Maturity Analysis

04 April 2019	< 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	-	-	-	-	-	-	-	-	-
Related Party Loan	417,021	-	123,688	129,683	123,690	871,837	1,145,378	306,032	3,117,329
HA Derivatives	-	-	-	-	-	-	-	-	-
Non-HA Derivatives	8,155	-	-	-	-	188,856	74,685	-	271,696
Other Assets	-	-	-	-	-	-	-	152	152
Total Assets	425,176	-	123,688	129,683	123,690	1,060,693	1,220,063	306,184	3,389,177
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt Securities	424,932	-	123,688	129,683	123,688	1,059,057	1,220,063	310,000	3,391,111
HA Derivatives	-	-	-	-	-	1,636	-	-	1,636
Non-HA Derivatives	194	-	-	-	-	-	-	-	194
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	50	-	-	-	-	-	-	-	50
Total Liabilities	425,176	-	123,688	129,683	123,690	1,060,693	1,220,063	310,000	3,392,993
Net Position	-	-	-	-	-	-	-	(3,816)	(3,816)
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
HA Derivatives	-	-	-	-	-	-	-	-	-
Non-HA 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
HA Derivatives	-	-	-	-	-	-	2,624	-	2,624
Non-HA Derivatives	667	-	-	-	-	-	4,815	-	5,482
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)

HA – Hedge Accounted

Cash flows on the loan to the Trust within Silverstone Funding (No.1) Limited (the deemed loan) 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 21 January 2070.

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

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

	< 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
<u>Liabilities</u>									
Debt Securities	414,627	-	125,732	131,726	125,732	1,524,498	786,341	805,266	3,913,922
Derivatives	(488)	-	(271)	(274)	(275)	(335)	-	-	(1,643)
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	50	-	-	-	-	-	-	-	50
Total Liabilities	414,189	-	125,461	131,452	125,459	1,524,163	786,341	805,266	3,912,331
04 April 2018	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Liabilities</u>									
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

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.

2019	Carrying Value £'000	Fair Value £'000
Assets		
Loan to Related Company	3,117,329	3,189,296
Liabilities		
Debt Securities in Issue	3,391,111	3,418,341
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

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 2019 (2018: 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

The following Silverstone note issuances were made post 4 April 2019:

<u>Note</u>	<u>Date</u>	<u>Currency</u>	<u>Value (£ million)</u>
SMI 2019-1 1A	16 April 2019	USD	267.1
SMI 2019-1 2A	16 April 2019	GBP	750.0

The following Silverstone note full redemptions were made post 4 April 2019:

<u>Note</u>	<u>Date</u>	<u>Currency</u>	<u>Value (£ million)</u>
SMI 2016-1 1A1	21 April 2019	USD	140.0
SMI 2016-1 1A2	21 April 2019	GBP	182.5