Registered Number: 06612744

Silverstone Master Issuer PLC

Annual Report and Financial Statements for the year ended 4 April 2021

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Directors

Ioannis Kyriakopoulos
Muir James Mathieson
Daniel Jonathan Wynne
Wilmington Trust SP Services (London) Limited

Company Secretary

Wilmington Trust SP Services (London) Limited

Independent Auditors

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Registered Number

06612744
Registered in England and Wales

Directors' Report for the year ended 4 April 2021

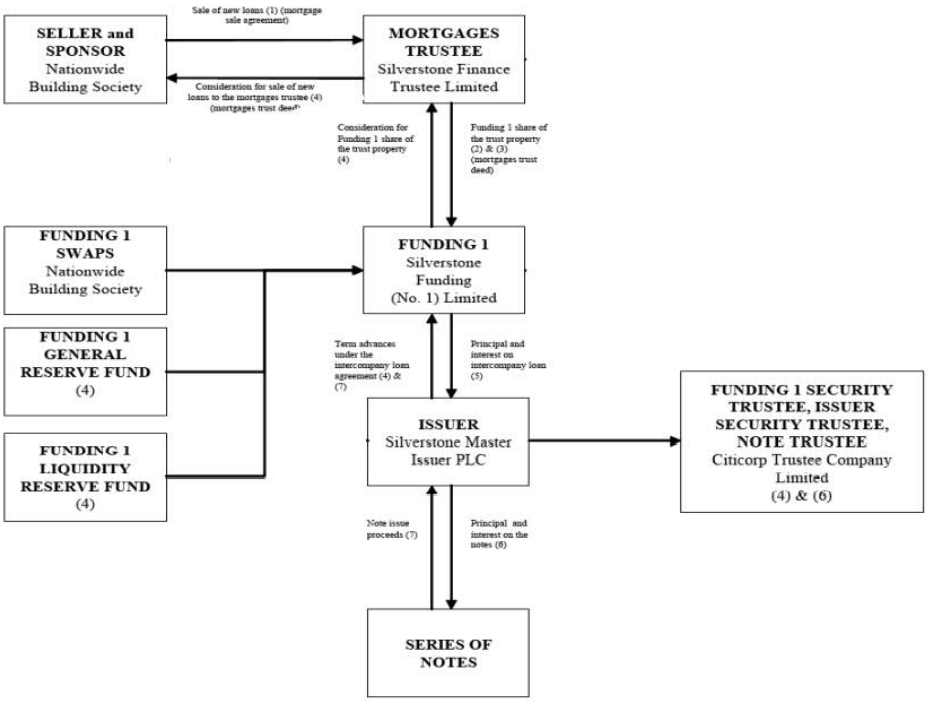
The directors have pleasure in presenting their Annual Report and the audited financial statements for Silverstone Master Issuer PLC ("the Company") for the year ended 4 April 2021. As set out in the accounting policies, the Annual Report and Financial Statements have been prepared in accordance with 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 directly related to the Company, 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 by Nationwide and secured on residential properties in England, Wales, Scotland and Northern Ireland.

The Note Trustee, Issuer Security Trustee and Funding 1 Security Trustee are parties to the programme and transaction documents and their role is to represent the interests of all noteholders and other secured creditors (including their interest in the secured property), and to have authority over contractual matters should Nationwide lose its capacity to provide the servicer and / or cash management functions. Any changes to documents require the consent of the relevant trustee.

Business review and future developments

The Company's business and future plans are reviewed in the Strategic report, which also includes an overview of the Company's risk management objectives and policies.

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 solely in the United Kingdom (UK). 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.

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.

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 (2020: none).

Environment

The Company's environmental policy is set at a Group level. The Group remains committed to managing its environmental impacts and its ambition is to look for better, cleaner ways to run its operations.

Further details of the Group's activities can be found in the Strategic Report in its Annual Report and Accounts and on Nationwide Building Society's website at **nationwide.co.uk**

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate, primarily due to the continued financial support of the ultimate parent company Nationwide. The directors have received confirmation that Nationwide intend to support the Company for a period of at least 12 months after these financial statements are signed.

Covid-19 is continuing to have a significant impact on the UK economy. However, it has, and is expected to continue to have, an immaterial impact on the Company. The operations of the Company are limited in nature and the market risks from financial assets and liabilities of the Company have been economically hedged. In addition, the Company continues to have a low liquidity risk profile. It is only obliged to make repayments on notes issued if sufficient cashflows have been received from its loans with Silverstone Funding (No.1) Limited. Details of this are disclosed in Note 16 to the financial statements.

The Company is included in the forecasting and stress testing activities of the Group. The Group's forecasts and projections, taking account of possible changes in trading performance and funding retention, and including stress testing and scenario analysis, show that the Group will be able to operate at adequate levels of both liquidity and capital for the next 12 months. Furthermore, the Group's capital ratios and its total capital resources are comfortably in excess of Prudential Regulation Authority (PRA) requirements.

Taking these factors 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.

Financial instruments

The financial risk management objectives and policies of the Company, as well as the exposure to credit risk, liquidity and funding risk, interest rate risk, foreign currency risk and operational risk are disclosed in Risk Management & Control of the Group section of the Strategic Report and in the note 16 of the financial statements.

Directors' responsibility statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

The auditors, Ernst & Young LLP, have expressed their willingness to continue in office. A resolution for their re-appointment as auditors will be proposed at the next Company's meeting.

Directors' statement as to disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, for each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

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

Ioannis Kyriakopoulos
For and on behalf of Wilmington Trust SP Services (London) Limited
Date: 19th July 2021

Business review

There were no issuance from Silverstone Programme during the year.

The following notes totalling £1,069.9 million matured or were partially or fully repaid during the year.

Note	Value (£m)
2011-1 4A	320.0
2015-1 A1	305.3
2015-1 A2	178.6
2016-1 2A1	56.8
2018-1 1A	21.6
2019-1 1A	60.1
2019-1 2A	127.5

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 the Trust. The assets of the Trust comprise mortgage loans originated within Nationwide (the "Originator"), secured on residential properties in England, Wales, Scotland and Northern Ireland.

The balance sheet on page 16 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 Key Performance Indicators (KPIs), and these are published as a monthly investor report (available via the Nationwide website). These include the yield 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. Performance against these KPIs is monitored on a monthly basis and published in the monthly investor reports.

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. No downgrade has been applied in the year and subsequently up to the date of approval of these accounts.

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

Results

The result for the financial year to 4 April 2021 was a £0.5 million profit (2020: £4.1 million profit). This is composed primarily of net interest receivable and similar income of £1.2 million (2020: £3.2 million), gains from derivatives and hedge accounting of £0.5 million (2020: £4.1 million) and operating expenses of £1.2 million (2020: £3.2 million).

No dividends were proposed, approved or paid during the year (2020: £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 are more than required to enable the Company to generate £10,000 cash flow profit before tax and are distributed accordingly, under the revenue priority of payments defined in the programme documentation.

Section 172(1) Statement and Statement of engagement with stakeholders

Section 172(1) of the Companies Act 2006 requires directors to act in good faith and in a way that they consider most likely to promote the success of the Company for the benefit of its key stakeholder as a whole. As the Company is part of the wider Group, where matters impact other entities amongst the Group and have a wider application, stakeholder engagement is led by the Society. Further information on how the Group engages with its stakeholders can be found in the Strategic report within the Group's Annual Report and Accounts.

Taking account of our stakeholders

Regulators – The Company recognises the importance of open and continuous dialogue with our regulators and seek to maintain the highest possible regulatory standards, to protect and enhance the integrity of the UK financial system and ensure fair outcomes for our members. Engagement with regulators typically takes the form of regular and ad hoc meetings. Topics covered are wide-ranging and over the financial year have included operational resilience, the ability to respond to a financial stress, structural mitigation and industry-wide reviews of business continuity and incident management.

Investors – The Company maintains an active dialogue with existing and potential investors through an extensive investor relations programme.

Other - The Board and senior management also engage with other stakeholders on certain issues. Such stakeholders include intermediaries, tax authorities and the media.

Other matters set out in Section 172 (1) regard to the matters of stakeholder engagement with employees, communities and suppliers is not relevant due to the nature of the Company.

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.

The Group adopts a prudent approach to risk management, keeping members' money safe and secure by ensuring that the risks taken in support of our strategy are controlled through a robust risk appetite framework.

The operations of the Company are limited in nature and the market risks from financial assets and liabilities have been economically hedged. As a result, both the physical impact of the UK lockdown and the financial market volatility caused by Covid-19 have had minimal impact on the Company.

The competitive environment remains intense as ring-fenced banks with cheaper funding and excess liquidity have continued to focus on our core markets and new market entrants, seeking to exploit new technologies, look to grow market share.

Risk management & control of the Group (continued)

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:

- **Credit Risk** - The risk of loss as a result of a member, customer or counterparts failing to meet their financial obligations.
- **Liquidity and funding risk -** Liquidity risk is the risk that Nationwide is unable to meet its liabilities as they fall due and maintain member and other stakeholder confidence. Funding risk is the risk that Nationwide is unable to maintain diverse funding sources in wholesale and retail markets and manage retail funding risk that can arise from excessive concentrations of higher risk deposits.
- **Financial Risk** - The risk of loss or damage to the Group as a result of material errors in statutory, regulatory and critical reporting; data; production of financial plans and forecasts; assessment of the financial impacts of business proposals and of non-compliance with accounting principles or tax laws.
- **Market risk -** The risk that the net value of, or net income arising from, the Society's assets and liabilities is impacted as a result of market price or rate changes. As Nationwide does not have a trading book, market risk only arises in the banking book
- **Operational Risk** - The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- **Conduct and Compliance Risk** - The related causes or impacts where the Group exercises inappropriate judgement or makes errors in the execution of its business activities
- **Strategic Risk** - The risk that failed business decisions, or lack thereof, may pose to the Group.

Further details on these inherent risks and how they are managed within the Company can be found in Note 16. 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

Ioannis Kyriakopoulos
For and on behalf of Wilmington Trust SP Services (London) Limited
Date: 19th July 2021

Independent auditor's report to the members of Silverstone Master Issuer Plc

Opinion

We have audited the financial statements of Silverstone Master Issuer Plc for the year ended 4 April 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 4 April 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's going concern assessments, evaluated the reasonableness of the accompanying group-wide forecasts and considered the suitability of management's conclusion to prepare the accounts on a going concern basis.
- We challenged the assumptions applied by management in preparing the going concern assessment and evaluated the results of management's reverse stress testing exercise and assessed the reasonableness of the economic assumptions in light of the impact of the Covid-19 pandemic ("Covid-19").
- We also received the parental support letter from Nationwide Building Society confirming its intention to support the Company.
- We reviewed committee and board meeting minutes to identify events or conditions that may impact the Company's ability to continue as a going concern.
- We considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.
- We reviewed the Company's going concern disclosure included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period up to 19 July 2022, being not less than 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

Overview of our audit approach

Key audit matters	• Recoverability of the loan to related company (i.e. deemed loan)
Materiality	• Overall materiality of £26.9million which represents 0.5% of Total Assets.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations
Recoverability of the loan to related company (i.e. deemed loan) (2021: £5.3 billion; 2020: 6.4 billion) **Refer to Note 9 of the financial statements.** The Company is a special purpose vehicle within a securitisation structure. It exists to hold a beneficial interest in a portfolio of mortgage loans secured by residential properties within the UK from Nationwide Building Society (the Originator), the funds for which were generated through the issuance of notes. Within the financial statements of the Originator, the transfer fails the derecognition criteria of IFRS 9 and the Company has therefore recognised this balance as a deemed loan on its Balance Sheet at amortised cost.	Our independent evaluation of the Company's expected credit losses (ECL) assessment involved: • Examination of the deemed loan for any indicators of potential future losses, which involved looking through to the securitised mortgage loan pool from which deemed loan repayments flow and assessed whether shortfalls in mortgage recoveries are expected. • Assessment on the appropriateness of assumptions underlying the calculation of expected credit losses by the Company. This included considerations of the impact of Covid-19 on the Originator's ability to repay of the deemed loan to the Company. Agreed the purchased loans back to the Originator system and confirmed that the tagging was reflective of the sale of mortgages from the Originator to the Company.	We highlighted to those charged with governance the following matters: • We tested a sample of loans purchased by the Company as part of the securitisation structure and satisfied ourselves that the purchased loans tagging was reflective of the sale of mortgages from the Originator to the Company. • We are satisfied that the deemed loan to the Originator had been accurately classified as a financial asset, is performing and has been appropriately recognised in Stage 1.

Risk	Our response to the risk	Key observations
As repayment of the deemed loan is required before the Company's debt can be serviced, we consider the estimate of expected credit losses (ECL) associated with the deemed loan to be a key audit matter. In our risk assessment, as ECL rely on periodic impairment assessments undertaken by management, there was a higher risk that management override of controls could result in a material misstatement to recoverability of the deemed loan.		

In the prior year, our auditor's report included the following key audit matters which we did not consider to be key audit matters in the current year as the associated risk of material misstatements have decreased or are no longer relevant:

- Risk of fraud in revenue recognition: we did not consider risk of fraud in revenue recognition to be a key audit matter in the current year as the risk of material misstatement on revenue recognition is remote given the non-complex automated transactional nature of the revenue. As such, this matter had less impact on our overall audit strategy and the amount of audit effort was comparatively less.

- Going concern impact of Covid-19: in the current year our considerations, work performed and conclusions in relation to going concern have been included in the conclusions relating to going concern section of our auditors' report.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £26.9 million (2020: £33.7 million), which is 0.5% (2020: 0.5%) of Total Assets. The Company is not a profit-oriented company, and as such, an earning base would not be appropriate. We believe that Total Assets is considered the most appropriate materiality basis.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was set at 75% (2020: 50%) of our planning materiality, namely £20.2million (2020: £16.9million). We have set performance materiality at this percentage based upon our recent experience of auditing the Nationwide Building Society group, from which we concluded that there is a lower expectation of undetected misstatement due to the effective control environment. We note that the Company is subject to the control environment of Nationwide Building Society. As a result, we determined that setting performance materiality at 75% of our planning materiality was appropriate.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the directors that we would report to them all uncorrected audit differences in excess of £1.3million (2021: £1.7million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Auditor's responsibilities for the audit of the financial statements (continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Companies Act 2006 and United Kingdom General Accounting Standards (UK GAAP), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).
- We understood how Silverstone Master Issuer Plc is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed the Board of Directors committee minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the entity level controls that the Company has established to address risk identified by the entity, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of legal counsel and executive management.
- The Company operates in a specialised financial services industry, as such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities, which included the use of specialist where appropriate.

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

Other matters we are required to address

- We were appointed by the directors at the Board of Directors Meeting in July 2019 to audit the financial statements for the year ending 4 April 2020 and subsequent financial periods.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to those charged with governance.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Javier Faiz
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
19 July 2021

Income statement for the year ended 4 April 2021

	Note	2021 £'000	2020 £'000
Interest receivable and similar income	3	53,094	66,249
Interest payable and similar expenses	4	(51,856)	(63,027)
Net interest income		**1,238**	**3,222**
Gains from derivatives and hedge accounting	5	466	4,112
Total income		**1,704**	**7,334**
Operating expenses	6	(1,228)	(3,212)
Profit before tax		**476**	**4,122**
Taxation	7	(2)	(2)
Profit after tax		**474**	**4,120**

The notes on pages 18 to 37 form part of these financial statements.

Statement of comprehensive income as at 4 April 2021

	2021 £'000	2020 £'000
Profit after tax	474	4,120
Cash flow hedge reserve		
Fair value movements taken to equity	(157)	833
Amount transferred to income statement	(230)	(468)
	(387)	**365**
Other hedging reserve		
Fair value movements taken to equity	329	(601)
	329	**(601)**
Total comprehensive income	**416**	**3,884**

The notes on pages 18 to 37 form part of these financial statements.

Balance sheet as at 4 April 2021

	Note	2021 £'000	2020 £'000
Assets			
Cash and cash equivalents	8	-	2
Loan to related company	9	5,338,859	6,443,677
Derivative financial instruments	10	42,051	308,448
Other assets	11	236	38
Total assets		**5,381,146**	**6,752,165**
Liabilities			
Debt securities in issue	12	5,371,919	6,751,753
Derivative financial instruments	10	8,738	300
Current tax liability	7	2	2
Other liabilities	13	3	42
Total liabilities		**5,380,662**	**6,752,097**
Equity			
Share capital	14	50	50
Accumulated gains	15	728	254
Cash flow hedge reserve		(22)	365
Other hedging reserve		(272)	(601)
Total equity		**484**	**68**
Total liabilities & equity		**5,381,146**	**6,752,165**

The notes on pages 18 to 37 form part of these financial statements.

The financial statements were approved by the board of directors on 19 July 2021.

Signed on behalf of the board of directors

Ioannis Kyriakopoulos

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 2021

	Note	Share capital £'000	Accumulated gains £'000	Cash flow hedge reserve £'000	Other hedging reserve £'000	Total equity £'000
Balance at 4 April 2020		**50**	**254**	**365**	**(601)**	**68**
Gain for the financial year	15	-	474	(387)	329	416
Balance at 4 April 2021		**50**	**728**	**(22)**	**(272)**	**484**

Balance at 4 April 2019	Note	Share capital £'000	Accumulated gains £'000	Cash flow hedge reserve £'000	Other hedging reserve £'000	Total equity £'000
Gain for the financial year		**50**	**(3,866)**	**-**	**-**	**(3,816)**
Balance at 4 April 2020	15	-	4,120	365	(601)	**3,884**
		50	**254**	**365**	**(601)**	**68**

The notes on pages 18 to 37 form part of these financial statements.

1. Statement of accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including 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 continue to adopt the going concern basis in preparing the financial statements.

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.

Adoption of new and revised IFRSs

With effect from 5 April 2020 the Company has adopted the Interest Rate Benchmark Reform–Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Further information on the impacts of adopting these amendments is set out below.

Interest rate benchmark reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued amendments arising from Phase 2 of its work on Interest Rate Benchmark Reform. The amendments focus on accounting for the replacement of existing benchmark interest rates, and provide relief allowing entities:

• not to recognise significant modification gains or losses on financial instruments if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis; and

• to continue existing hedging relationships despite changes to hedge documentation for modifications required as a direct consequence of IBOR reform.

These amendments, which were endorsed by the EU and UK in January 2021, are applicable to the Company from 5 April 2021, with early adoption permitted. The Company has early adopted the amendments in these financial statements, with no significant impact. The disclosures required by these amendments have been included in note 10.

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. Statement of 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)).

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.

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.

1. Statement of accounting policies (continued)

Impairment of financial assets (continued)

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 statement on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets, and continues to increase over time with the contractually accrued interest.

Transfer Between Stages

Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above. For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met. For loans subject to concession events such as forbearance, accounts are transferred back to stage 1 or 2 only after being up to date for a period of 12 months.

Write-Off

Loans remain on the balance sheet, net of associated provisions, until they are 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.

Derivatives and hedge accounting

a) Derivative financial instruments

Derivatives are entered into to reduce exposures to fluctuations in interest rates, exchange rates, market indices and credit risk, and are not used for speculative purposes.

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. Statement of accounting policies (continued)

Derivatives and hedge accounting (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. Funding valuation adjustments are also made to reflect an estimate of the adjustment a market participant would make to incorporate funding costs and benefits that arise in relation to derivative exposures.

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 IFRS 9, 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 economic 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 effective on a prospective basis, in line with risk management strategy.

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 is unable to voluntarily de-designate hedging relationships, unless there has been a change to risk management objectives.

<u>Fair value hedge accounting</u>

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, except for changes in the fair value of hedging instruments accounted for under IFRS 9 which are attributable to foreign currency basis spreads. Where foreign currency basis spreads are excluded from hedge designation, this element of fair valuation of the hedging instrument is instead recognised directly within equity within the 'other hedging reserve'.

1. Statement of accounting policies (continued)

Derivatives and hedge accounting (continued)

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 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 currency translation

The financial statements are presented in sterling, which is the functional currency of the Company. Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement.

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

The preparation of the Company's financial statements involves management making judgements and estimates when applying those accounting policies that affect the reported amounts of assets, liabilities, income and expense. Actual results may differ from those on which management's estimates are based. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. For the year ended 4 April 2021, this evaluation has considered the impacts of Covid-19.

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 (EAD), and the Loss Given Default (LGD) of each loan. ECL's are calculated using an internal IFRS 9 model. EAD equals the balance(s) supplied by Group's Treasury function. PD is based on the Group's current median external credit rating. LGD is assumed to be zero, based on the fact that the loans are over-collateralised (level of collateralisation greater than 100%) and supported by high credit quality mortgages which are ringfenced. The counterparty (Silverstone Funding No1. Limited) also holds a reserve fund of £150,000,000 (2019: £100,000,000) as additional default protection. No ECLs are forecast as a result and there is no impact due to Covid-19.

2. Judgements in applying accounting policies and critical accounting estimates (continued)

The most significant are of judgement is the approach to identify significant increases in credit risk and impairment or the definition of default.

Use of Forward-Looking Economic Information

The most significant area of estimation uncertainty is the use of forward-looking 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.

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.

Default occurs when a borrower reaches a predefined arrears status, or where a borrower is considered unlikely to repay the credit obligation in full without the lender taking action such as realising security. Indicators of unlikeliness to pay include (but are not limited to) bankruptcy, financial restructuring.

3. Interest receivable and similar income

	2021	2020
	£'000	£'000
Interest receivable on loan to Silverstone Funding (No.1) Limited	50,188	61,210
Other income	2,906	5,039
	53,094	66,249

4. Interest payable and similar expenses

	2021	2020
	£'000	£'000
Interest payable on debt securities	53,693	71,384
Net income on financial instruments hedging liabilities	(1,837)	(8,357)
	51,856	63,027

5. Gains/losses from derivatives and hedge accounting

	2021	2020
	£'000	£'000
Gains/(losses) from fair value hedge accounting	(1,159)	(543)
Gains/(losses) from cash flow hedge accounting	(16)	-
Fair value gains/(losses) from other derivatives (Note i)	1,784	4,031
Foreign Exchange gain/(loss)	(143)	624
	466	4,112

Note

(i) This category includes derivatives used for economic hedging purposes, but which are not currently in a hedge accounting relationship, as well as valuation adjustments which are applied at a portfolio level and so are not allocated to individual hedge accounting relationships.

5. Gains/losses from derivatives and hedge accounting (continued)

Although the Company 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.

Losses of £1,159,000 (2020: £543,000 loss) from fair value hedge accounting, due to hedge ineffectiveness and the amortisation of existing balance sheet amounts. Gains of £1,784,000 (2020: £4,031,000 gains) from other derivatives include a gain of £1,513,000 (2020: £4,328,000) from the movements in credit and debit valuation adjustments.

Fair value hedge accounting

2021			Change in fair value used for determining hedge ineffectiveness		Hedge ineffectiveness recognised in the income statement	Carrying amount of the hedged item	Of which: accumulated fair value adjustment
Hedged item balance sheet classification	Hedging instrument	Risk category	Hedged item	Instrument			
			£'000	£'000	£'000	£'000	£'000
Liabilities:							
Debt securities in issue	Interest rate swaps	Interest rate	3,809	(4,968)	(1,159)	819,362	(183)

2020			Change in fair value used for determining hedge ineffectiveness		Hedge ineffectiveness recognised in the income statement	Carrying amount of the hedged item	Of which: accumulated fair value adjustment
Hedged item balance sheet classification	Hedging instrument	Risk category	Hedged item	Instrument			
			£'000	£'000	£'000	£'000	£'000
Liabilities:							
Debt securities in issue	Interest rate swaps	Interest rate	(4,785)	4,242	(543)	2,041,848	3,626

5. Gains/losses from derivatives and hedge accounting (continued)

Cash flow hedge accounting

2021			Change in fair value used for determining hedge ineffectiveness		Changes in instrument fair value reported as		Amounts accumulated in the cash flow hedge reserve (excluding deferred taxation)	
Hedged item balance sheet classification	Hedging instrument	Risk category	Hedged item	Instrument	Hedge ineffectiveness recognised in the income statement	Net amounts deferred to other comprehensive income	Continuing hedges	Discontinued hedges
			£'000	£'000	£'000	£'000	£'000	£'000
Assets:								
Debt securities in issue	Cross currency interest rate swaps	Interest rate and foreign exchange	**386**	**(402)**	**(16)**	**(386)**	**(22)**	-

2020			Change in fair value used for determining hedge ineffectiveness		Changes in instrument fair value reported as		Amounts accumulated in the cash flow hedge reserve (excluding deferred taxation)	
Hedged item balance sheet classification	Hedging instrument	Risk category	Hedged item	Instrument	Hedge ineffectiveness recognised in the income statement	Net amounts deferred to other comprehensive income	Continuing hedges	Discontinued hedges
			£'000	£'000	£'000	£'000	£'000	£'000
Assets:								
Debt securities in issue	Cross currency interest rate swaps	Interest rate and foreign exchange	**(414)**	365	-	**365**	**365**	-

6. Operating expenses

Operating expenses include fees payable to Ernst & Young LLP as auditors of £33,600 (2020: £23,945).

7. Taxation

	2021	2020
	£'000	£'000
Current Tax Expense (UK Corporation Tax at 19%)	2	2
Total Current Income Tax Expense	**2**	**2**

7. Taxation (continued)

	2021	2020
	£'000	£'000
Profit/(loss) Before Taxation	476	4,122
Tax at 19%	90	783
Adjustments in Respect of Securitisation Regime	(88)	(781)
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% (2020: 19%).

As part of the UK budget, it was announced on 3 March 2021 that the UK corporation tax rate will increase to 25% from 1 April 2023.

8. Cash and Cash Equivalents

The Company has placed its deposit account with Nationwide 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.

£nil (2020: £2,000) was available for allocation under the priority of payments as at 4 April 2021.

9. Loan to Related Company

	2021	2020
	£'000	£'000
Loan to Silverstone Funding (No.1) Limited	5,330,248	6,427,150
Accrued Interest on Loan to Silverstone Funding (No.1) Limited	8,611	16,527
	5,338,859	**6,443,677**

The loan to Silverstone Funding (No.1) Limited is denominated in Sterling and is based on Libor/Sonia 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 the movement in Gross Balance and Impairment Provisions:

	Non-Credit Impaired				Credit Impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross Balance	Provision	Gross Balance	Provision	Gross Balance	Provision	Gross Balance	Provision
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
05 April 2020	6,443,677	-	-	-	-	-	6,443,677	-
Stage Transfers	-	-	-	-	-	-	-	-
Movements	(1,104,818)	-	-	-	-	-	(1,104,818)	-
05 April 2021	5,338,859	-	-	-	-	-	5,338,859	-
Net Carrying Amount		5,338,859		-		-		5,338,859
Income Statement Charge for the Year								-

	Non-Credit Impaired				Credit Impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Gross Balance	Provision	Gross Balance	Provision	Gross Balance	Provision	Gross Balance	Provision
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
05 April 2019	3,117,329	-	-	-	-	-	3,117,329	-
Stage Transfers	-	-	-	-	-	-	-	-
Movements	3,326,348	-	-	-	-	-	3,326,348	-
04 April 2020	6,443,677	-	-	-	-	-	6,443,677	-
Net Carrying Amount		6,443,677		-		-		6,443,677
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 to related company is held at amortised cost and is reviewed for impairment at each reporting date. The possibility of this occurring has been assessed to be remote, therefore the impairment provision recognised as a 12 month Stage 1 ECL has been deemed to be immaterial and is therefore not recognised within these accounts.

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

All derivative financial instruments are used to manage economic risk, although not all of derivatives are subject to hedge accounting. Note 5 sets out the link between economic risk management and the hedge accounting applied by the Company. The table below provides an analysis of the notional amount and fair value of derivatives by both hedge accounting type and instrument type. The amount of ineffectiveness recognised for each hedge type is shown in note 5.

2021	Contract/Notional Amount £'000	Fair Value Asset £'000	Fair Value Liability £'000
Derivatives Designated as Fair Value Hedging Instruments			
Interest Rate Swaps	-	-	-
Cross Currency Interest Rate Swaps	785,248	42,051	8,700
Derivatives Designated as Cash Flow Hedging instruments			
Cross Currency Interest Rate Swaps	785,248	-	38
	1,570,496	**42,051**	**8,738**

10. Derivative financial instruments (continued)

2020	Contract/Notional Amount £'000	Fair Value Asset £'000	Fair Value Liability £'000
Derivatives Designated as Fair Value Hedging Instruments			
Interest Rate Swaps	407,747	3,429	26
Cross Currency Interest Rate Swaps	1,727,598	304,654	274
Other Derivatives Not Designated in Hedge Accounting Relationships			
Cross Currency Interest Rate Swaps	1,727,598	365	-
	3,862,943	**308,448**	**300**

The derivative asset and liability fair values in the above table are inclusive of accrued interest payable of £625,000 and £8,000 (2020: £1,581,000 and £0 receivable, 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.

Where the same derivative contract has been used in more than one hedge type, for example where one risk component has been included in a fair value hedge and another risk component has been included in a cash flow hedge, the Company has included the full notional amount in both categories.

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 2021 and 2020, all derivative contracts were with Nationwide and were uncollateralised.

The 'Net amounts' 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.

10. Derivative financial instruments (continued)

	Gross and Net Amounts Reported on the Balance Sheet	Master Netting Arrangements	Net Amounts
2021	**£'000**	**£'000**	**£'000**
Financial Assets			
Derivative Financial Instruments	42,051	(8,738)	33,313
Total Assets	**42,051**	**(8,738)**	**33,313**
Financial Liabilities			
Derivative Financial Instruments	8,738	(8,738)	-
Total Liabilities	**8,738**	**(8,738)**	**-**
2020			
Financial Assets			
Derivative Financial Instruments	308,448	(300)	308,148
Total Assets	**308,448**	**(300)**	**308,148**
Financial Liabilities			
Derivative Financial Instruments	300	(300)	-
Total Liabilities	**300**	**(300)**	**-**

The contractual maturity of derivatives used as hedging instruments in micro fair value and cash flow hedges is provided in the table below.

	Less than one year (£'000)	Between one and five years (£'000)	More than five years (£'000)	Total (£'000)
Micro Fair Value Hedges				
Interest Rate Swap	-	-	-	-
Cross Currency Interest Rate Swaps	583,278	201,970	-	785,248
	583,278	**201,970**	**-**	**785,248**
Cash Flow Hedges				
Cross Currency Interest Rate Swaps	583,278	201,970	-	785,248
	583,278	**201,970**	**-**	**785,248**

The weighted average rates of hedging instruments which achieve fixed rates are summarised in the table below. Fair value and cash flow hedging instruments which do not achieve a fixed rate have not been included in this analysis.

Cross Currency Interest Rate Swaps	Less than one year	Between one and five years	More than five years	Total
Average EUR/GBP rate	1.29	-	-	1.29
Average USD/GBP rate	1.31	1.39	-	1.35

A variety of benchmark interest rates are used in global financial markets to calculate interest payments and fair values for derivative contracts. The Company's derivative portfolio includes contracts which reference GBP Libor and other benchmark rates, which are expected to either be reformed or be replaced by alternative reference rates. GBP Libor is expected to be discontinued on 31 December 2021, with the alternative benchmark rate being the reformed sterling overnight index average (Sonia). The Company is already using Sonia as the reference rate for new derivative contracts where it is possible to do so.

10. Derivative financial instruments (continued)

The Company's Libor Transition Working Group, which reports to the Assets and Liabilities Committee (ALCO), is managing the full range of transition-related issues, including the conversion of existing contracts and the impact on valuations and systems. The Company has used basis swaps, which convert one benchmark rate to another, to reduce the economic exposure to affected benchmark rates within the portfolio of existing contracts. For new transactions which mature after an expected discontinuation date, the Company is avoiding the use of affected benchmark rates.

A number of the Company's current fair value and cash flow hedge accounting structures are expected to be affected by benchmark rate reforms. In the year ended 4 April 2020, the Company adopted the amendments to IFRS 9, IAS 39 and IFRS 7 arising from Phase 1 of the IASB's work on Interest Rate Benchmark Reform, which provide relief to the potential adverse hedge accounting impacts in the period until benchmark rates are replaced.

In August 2020, the IASB issued further amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 arising from Phase 2 of its work on Interest Rate Benchmark Reform. These amendments focus on the accounting for the replacement of existing benchmark interest rates. The Company has early adopted these amendments for the year ended 4 April 2021.

The table below summarises the current notional amount of financial instruments expected to be affected by benchmark reform.

Contract/notional amount of financial instruments affected by benchmark reform				
Current benchmark (note i)	Expected future benchmark	Loan to related Company	Debt securities in issue	Derivative financial instruments
		£'000	£'000	£'000
GBP Libor	Sterling overnight index average (Sonia)	615,643	-	413,674
USD Libor	Secured overnight financing rate (Sofr)		363,501	169,605
GBP Libor and USD Libor (note ii)	Sonia and Sofr	-	-	201,969
Total		**615,643**	**363,501**	**785,248**

Notes:

i. The Company expects that Euribor will continue as a benchmark rate for the foreseeable future; Euribor hedging instruments and hedged items have therefore been excluded from the table.
ii. Some hedging instruments, such as cross currency swaps, may reference more than one affected benchmark rate.

11. Other assets

	2021	2020
	£'000	£'000
Unpaid Share Capital	38	38
Amounts Due from Silverstone Funding (No.1) Limited	198	-
	236	**38**

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

2021	< 1 Year £'000	1 - 5 Years £'000	> 5 Years £'000	Total £'000
Fixed				
US Dollar	-	-	-	**-**
Floating				
Sterling	-	2,045,000	2,500,000	**4,545,000**
Euro	455,621	-	-	**455,621**
US Dollar	160,853	202,649	-	**363,502**
Accrued Interest	7,979	-	-	**7,979**
Fair Value Adjustment for Micro Hedged Risk	(50)	(133)	-	**(183)**
	624,403	**2,247,516**	**2,500,000**	**5,371,919**

2020	< 1 Year £'000	1 - 5 Years £'000	> 5 Years £'000	Total £'000
Fixed				
US Dollar	407,747	-	-	**407,747**
Floating				
Sterling	154,553	2,045,000	2,500,000	**4,699,553**
Euro	428,393	472,026	-	**900,419**
US Dollar	312,946	409,582	-	**722,528**
Accrued Interest	17,881	-	-	**17,881**
Fair Value Adjustment for Micro Hedged Risk	3,625	-	-	**3,625**
	1,325,145	**2,926,608**	**2,500,000**	**6,751,753**

Floating rate Sterling issuances are priced against 3 month LIBOR with a weighted average margin of 0.76% (2020: 0.76%). Floating rate Euro issuances are priced against 3 month EURIBOR with a weighted average margin of 0.45% (2020: 0.40%). Floating rate US Dollar issuances are priced against 3 month USD LIBOR with a weighted average margin of 0.47% (2020: 0.50%). There have been no defaults in principal, interest or other breaches with respect to liabilities in the year (2020: none).

13. Other liabilities

	2021 £'000	2020 £'000
Bank overdraft	3	-
Accruals	-	42
	3	**42**

14. Share capital

	2021	2020
	£'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.

l5. Accumulated gains

	2021	2020
	£'000	£'000
Balance brought forward	254	(3,866)
Profit after tax	474	4,120
Balance at the end of the year	**728**	**254**

No dividends were proposed or paid during the year (2020: 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.

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 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 2021 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.

16. Risk management and control of the Group (continued)

Credit risk (continued)

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 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 2021 the reserve fund was £150,000,000 (2020: £150,000,000).

The Company has a concentration of risk to the Originator (Nationwide). 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 credit quality of the underlying mortgages is disclosed in Silverstone Funding (No. 1) Limited annual report.

The Company assesses its counterparty credit risk in relation to the cash and cash equivalents and derivative contracts held with Nationwide 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 (04/04/2021)			S&P, Moody's, Fitch (04/04/2020)	
Function	**Counterparty**	**Short Term**	**Long Term**	**Trigger Breached**	**Short Term**	**Long Term**
Account Bank Provider	Nationwide	A-1/P-1/F-1	A/A1/A+	No	A-1/P-1/F1	A/Aa3/A+
Swap Provider	Nationwide	A-1/P-1/F-1	A/Aa3(cr)/A+(dcr)	No	A-1/P-1/F1	A/Aa2(cr)/A+(dcr)

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.

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.

16. Risk management and control of the Group (continued)

Liquidity and funding risk (continued)

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 homeowner 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 2021	2.05%	19.22%	22.00%
31 March 2020	1.31%	14.70%	14.61%

Residual maturity analysis

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.

04 April 2021	**< 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	468,684	-	21,364	138,122	-	1,049,809	1,180,273	2,480,607	**5,338,859**
HA Derivatives	41,139	-	-	-	-	912	-	-	**42,051**
Non-HA Derivatives	-	-	-	-	-	-	-	-	**-**
Other Assets	-	-	-	-	-	-	-	236	**236**
Total Assets	**509,823**	**-**	**21,364**	**138,122**	**-**	**1,050,721**	**1,180,273**	**2,480,843**	**5,381,146**
Liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Debt Securities	463,670	-	21,531	139,202	-	1,058,016	1,189,500	2,500,000	**5,371,919**
HA Derivatives	(55)	-	-	8,902	-	(109)	-	-	**8,738**
Non-HA Derivatives	-	-	-	-	-	-	-	-	**-**
Tax	-	-	-	-	2	-	-	-	**2**
Other Liabilities	3	-	-	-	-	-	-	-	**3**
Total Liabilities	**463,618**	**-**	**21,531**	**148,104**	**2**	**1,057,907**	**1,189,500**	**2,500,000**	**5,380,662**
Net Position	**46,205**	**-**	**(167)**	**(9,982)**	**(2)**	**(7,186)**	**(9,227)**	**(19,157)**	**484**

04 April 2020	**< 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	2	-	-	-	-	-	-	-	**2**
Related Party Loan	240,041	-	556,365	417,346	64,210	621,863	2,164,044	2,379,808	**6,443,677**
HA Derivatives	(1,457)	-	104,074	94,260	-	80,732	30,839	-	**308,448**
Non-HA Derivatives	-	-	-	-	-	-	-	-	**-**
Other Assets	-	-	-	-	-	-	-	38	**38**
Total Assets	**238,586**	**-**	**660,439**	**511,606**	**64,210**	**702,595**	**2,194,883**	**2,379,846**	**6,752,165**
Liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Debt Securities	234,804	-	584,464	438,424	67,453	653,270	2,273,338	2,500,000	**6,751,753**
HA Derivatives	300	-	-	-	-	-	-	-	**300**
Non-HA Derivatives	-	-	-	-	-	-	-	-	**-**
Tax	-	-	-	-	2	-	-	-	**2**
Other Liabilities	42	-	-	-	-	-	-	-	**42**
Total Liabilities	**235,146**	**-**	**584,464**	**438,424**	**67,455**	**653,270**	**2,273,338**	**2,500,000**	**6,752,097**
Net Position	**3,440**	**-**	**75,975**	**73,182**	**(3,245)**	**49,325**	**(78,456)**	**(120,154)**	**68**

HA – Hedge Accounted

16. Risk management and control of the Group (continued)

Liquidity and funding risk (continued)

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

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 2021 Liabilities	< 1 Month £'000	1 - 3 Months £'000	3 - 6 Months £'000	6 - 9 Months £'000	9 - 12 Months £'000	1 - 2 Years £'000	2 - 5 Years £'000	Over 5 Years £'000	Total £'000
Debt Securities	465,465	(420)	30,414	148,224	8,738	1,090,690	1,261,738	3,519,708	6,524,557
Derivatives	10	-	1,191	7,595	-	-	-	-	8,796
Total Liabilities	**465,475**	**(420)**	**31,605**	**155,819**	**8,738**	**1,090,690**	**1,261,738**	**3,519,708**	**6,533,353**

04 April 2020 Liabilities	< 1 Month £'000	1 - 3 Months £'000	3 - 6 Months £'000	6 - 9 Months £'000	9 - 12 Months £'000	1 - 2 Years £'000	2 - 5 Years £'000	Over 5 Years £'000	Total £'000
Debt Securities	242,295	(344)	604,347	452,528	82,163	710,242	2,403,973	4,258,440	8,753,644
Derivatives	-	-	-	-	-	-	-	-	-
Total Liabilities	**242,295**	**(344)**	**604,347**	**452,528**	**82,163**	**710,242**	**2,403,973**	**4,258,440**	**8,753,644**

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, 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

2021	Carrying Value £'000	Fair Value £'000
Assets		
Loan to Related Company	5,338,859	5,512,038
Liabilities		
Debt Securities in Issue	5,371,919	5,429,087

2020	Carrying Value £'000	Fair Value £'000
Assets		
Loan to Related Company	6,443,677	6,674,259
Liabilities		
Debt Securities in Issue	6,751,753	6,603,745

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. The fair value of financial instruments is, in certain circumstances, measured using valuation techniques based on market prices that are not observable in an active market or significant unobservable market inputs. 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.

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 2021 (2020: none). There have been no movements in and out of level 3 throughout the year.

Level 2 valuation technique using observable inputs

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include derivative financial instruments such as swaps and forward rate agreements which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

18. Capital management

Capital comprises the retained earnings and share capital. Capital is managed on a Group basis. Further details about the Group's capital position can be found in the Solvency risk section of the Risk report in its Annual Report and Accounts.

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 are no post balance sheet events to report.

21. Related party transactions

During the year, fees of £26,000 (2020: £26,000) were paid to Wilmington Trust SP Services (London) Limited in respect of corporate services provided to the company.