Registered Number: 06612702

Silverstone Funding (No.1) Limited

Annual Report and Financial Statements for the year ended 4 April 2020

Contents **Page**

Directors and Company Information

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

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Registered Office

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

Registered Number

06612702
Registered in England and Wales

Directors' Report for the year ended 4 April 2020

The directors have pleasure in presenting their annual report and the audited financial statements for Silverstone Funding (No.1) Limited ("the Company") for the year ended 4 April 2020.

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

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

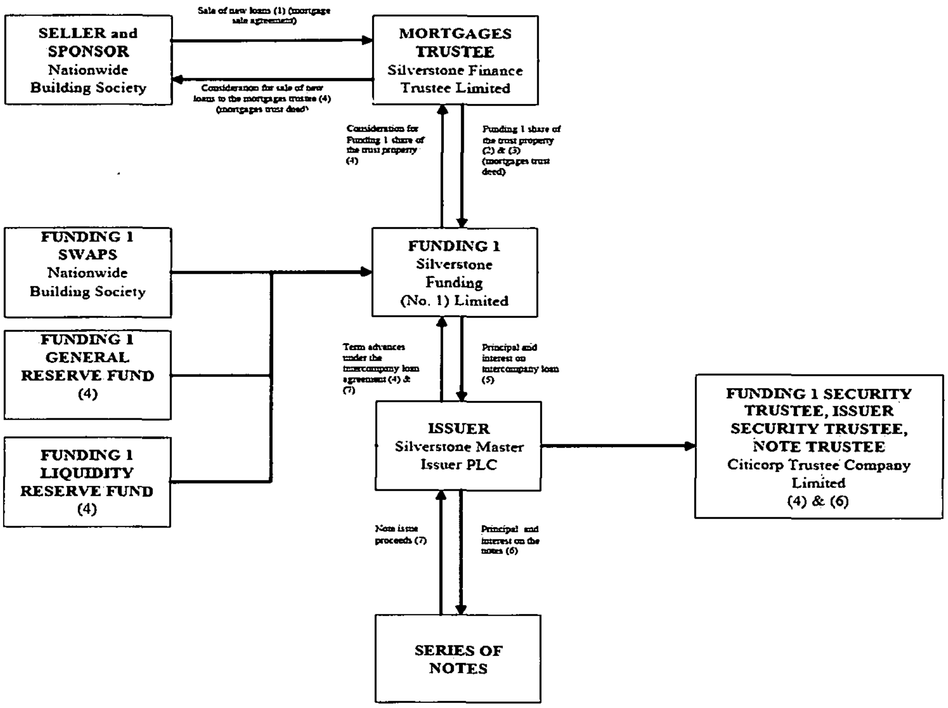
Principal Activities

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

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

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

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



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

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.

Directors' Indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Group also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and directors.

Domicile

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

Directors and Directors' Interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 2. Muir James Mathieson is an employee of Nationwide Building Society. The following changes in directors were made since the prior year:

- Phillip Andrew Townsend (Resigned 5 March 2020)
- Muir James Mathieson (Appointed 5 March 2020)

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 (2019: none).

Environment

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

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

Going Concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Nationwide Building Society. The directors have received confirmation that Nationwide Building Society intend to support the company for at least one year after these financial statements are signed. Taking this into account, the directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

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

The directors present their Strategic Report for the year ended 4 April 2020.

Directors' Responsibility Statement

The directors are responsible for ensuring that the Company:

- Keep accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the Annual Report and Financial Statements comply with the Companies Act 2006.
- Take reasonable care to establish, maintain, document and review such systems and controls as are appropriate to the Company.

The directors have general responsibility for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has 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 Group's auditors are aware of that information.

Auditors

Ernst & Young LLP were appointed as the Company's external auditors and 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

The directors who were members of the board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

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

Ioannis Kyriakopoulos

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

Date: 16 July 2020

Strategic Report for the year ended 4 April 2020

Business Review

In the year to 4 April 2020 the Silverstone structure serviced an additional £4,207.1million of asset backed security issuances.

Note	Value (£m)	
2017-1 ZVFN	240	(Capital Increase)
2019-1 1A	267.1	
2019-1 2A	750	
2020-1 1A	1000	
2020-1 2AR	650	
2020-1 3AR	650	
2020-1 4AR	650	

The following notes totalling £886.5 million matured or were partially or fully repaid during the year.

Note	Value (£m)
2015-1 A1	166.5
2015-1 A2	97.4
2016-1 1A1	140
2016-1 1A2	182.5
2016-1 2A1	70.3
2018-1 1A	64.9
2019-1 1A	37.4
2019-1 2A	127.5

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

The balance sheet on page 13 of the financial statements shows the Company's financial position at year-end.

Future Developments

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

Strategic Goals

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

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

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

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

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

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

Results

The profit for the financial year to 4 April 2020 was £8,000 (2019: £8,000). This is composed of net interest receivable and similar income of £3,219,000 (2019: £1,080,000) and operating expenses of £3,209,000 (2019: £1,070,000).

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

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.

Although the Group's financial position continues to strengthen, risks remain. Whilst these risks remain similar to those identified last year, they have been significantly impacted by the ongoing Covid-19 outbreak, which has materially impacted the Society's risk profile. The Group was quick to invoke the highest level of risk management response to minimise the impact on our risk profile, while continuing to provide key services and ensuring the safety both of colleagues and customers. Covid-19 is expected to have a less material impact on the Company. 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 are expected to have a 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.

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.
- **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.
- **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.

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: 16 July 2020

Independent Auditor's Report to the Directors of Silverstone Funding (No.1) Limited

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF SILVERSTONE FUNDING (NO.1) LIMITED

Opinion

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 4 April 2020 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.

We have audited the financial statements of Silverstone Funding (No.1) Limited for the year ended 4 April 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 18, 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 below. 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, 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

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

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

Reporting on other information

The other information comprises the information included in the annual report set up on page 3-8, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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 for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this 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.

Independent Auditor's Report to the Directors of Silverstone Funding (No.1) Limited

Other required reporting

Companies Act 2006 exception reporting

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' report have been prepared in accordance with applicable legal requirements.

Ernst & Young LLP

Javier Faiz (Senior statutory auditor)
for and on behalf of Ernst & Young LLP
Chartered Accountants and Statutory Auditor
London

16 July 2020

Profit and Loss Account for the year ended 4 April 2020

	Note	2020 £'000	2019 £'000
Interest Receivable and Similar Income	3	66,484	55,302
Interest Payable and Similar Expenses	4	(63,265)	(54,222)
Net Interest Receivable and Similar Income		**3,219**	**1,080**
Operating Expenses	5	(3,209)	(1,070)
Profit Before Taxation		**10**	**10**
Income Tax Expense	6	(2)	(2)
Profit for the Financial Year		**8**	**8**

No other comprehensive income was earned during the year (2019: £nil).

The notes on pages 15 to 32 form part of these financial statements.

Balance Sheet as at 4 April 2020

	Note	2020 £'000	2019 £'000
Assets			
Cash and Cash Equivalents	7	356,602	499,140
Deemed Loan to Related Company	8	6,132,602	2,617,298
Total Assets		**6,489,204**	**3,116,438**
Liabilities			
Loans from Related Companies	9	6,489,053	3,116,173
Current Tax Liability	6	2	2
Other Liabilities	10	53	175
Total Liabilities		**6,489,108**	**3,116,350**
Equity			
Called Up Share Capital	11	-	-
Retained Earnings	12	96	88
Total Equity		**96**	**88**
Total Liabilities & Equity		**6,489,204**	**3,116,438**

The notes on pages 15 to 32 form part of these financial statements.

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

The financial statements were approved by the board of directors on 16 July 2020.

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 2020

	Note	Share Capital	Retained Earnings	Total Equity
		£'000	£'000	£'000
Balance at 5 April 2019		-	88	88
Profit for the Financial Year	12	-	8	8
Balance at 4 April 2020		-	96	96

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

The notes on pages 15 to 32 form part of these financial statements.

1. Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

As stated in the Directors' Report, 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 Building Society. The directors have received confirmation that Nationwide Building Society intend to support the Company for at least one year after these financial statements are signed. In addition, the Company continues to have a low liquidity risk profile. It is only obliged to acquire an interest in a portfolio of mortgage loans and to enter into financial arrangements with its related parties, whereby details of this is disclosed in Note 13 to the financial statements.

Covid-19, whilst have a significant economic impact on the UK financial markets, is expected to have less material 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. As a result, both of the physical impact of the UK lockdown and the financial market volatility caused by Covid-19 are expected to have a minimal impact on the Company.

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 3ed sentence0 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

The Company has adopted the following standards with effect from 5 April 2019:

- IFRS 9 'Financial Instruments' – Hedge Accounting.

Further information on the impacts of adopting these new standards is set out below.
Amendments to IFRS 9 were also issued in September 2019 which modified specific hedge accounting requirements so that entities apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform.

1. Accounting Policies (Continued)

Adoption of new and revised IFRSs (Continued)

These amendments are applicable to the Company from 5 April 2020 with early adoption permitted. The Company has adopted the applicable amendments from 5 April 2019.

IFRS 9 'Financial instruments' – Hedge Accounting

From 5 April 2019 the Group voluntarily adopted the micro hedge accounting provisions of IFRS 9 on a prospective basis.

The changes resulting from adoption of the hedge accounting provisions of IFRS 9 for micro hedges, which are applicable to the Group, include:

- The ability to choose to exclude currency basis spreads from hedge designation and instead report this element of fair valuation directly in a hedge reserve within equity.
- The performance of hedge effectiveness testing on a prospective basis only, in line with risk management strategy.
- The inability to voluntarily de-designate hedging relationships, unless there has been a change to risk management objectives.

Adoption, which did not have a significant impact for the company, has resulted in the creation of an 'other hedging reserve' within equity to include the impact of foreign currency basis spreads. Comparatives have not been restated.

Effective 5 April 2019, and concurrent with the adoption of the micro hedge accounting provisions of IFRS 9, the company discontinued a number of fair value hedge relationships. The company immediately replaced these hedges with a number of new fair value hedge accounting relationships. The company chose to exclude foreign currency basis spreads from the new hedges and instead reports the change in fair value of these spreads directly in the 'other hedging reserve'.

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.

Interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. net of the allowance for expected credit losses (ECLs)). Interest receivable is presented net of amounts payable to Nationwide Building Society to reduce cash flow to £10,000 per annum in accordance with the securitisation transaction documents.

1. Accounting Policies (Continued)

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.

Financial Instruments

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

Derecognition of financial instruments is the point at which the Company removes an asset or liability from its balance sheet. Financial assets are derecognised when the rights to receive cash flows have expired or where the assets have been transferred and substantially all the risks and rewards of ownership have been transferred. Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired.

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

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

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

The start-up loan received by the Company from the Originator is recognised separately as a liability.

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

1. Accounting Policies (Continued)

Impairment of Financial Assets

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.

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.

1. Accounting Policies (Continued)

Impairment of Financial Assets (Continued)

Stage 3: Credit Impaired (or Defaulted) Loans

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

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

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

Transfer Between Stages

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

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

Write-Off

Loans remain on the balance sheet, net of associated provisions, until they are redeemed to have no reasonable expectation of recovery. Loans are generally written off after realisation of any proceeds from collateral and upon conclusion of the collections process, including consideration of whether an account has reached a point where continue attempts to recover are no longer likely to be successful. Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the value of impairment losses recorded in the income statement.

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 2020, this evaluation has considered the potential impacts of Covid-19.

The most significant sources of estimation uncertainty made by management in applying the Company's accounting policies, which are deemed critical to the Company's results and financial position, are disclosed in note 1. Additional information relating to Covid-19, where relevant, is disclosed in the Strategic Review. These accounting estimates include areas of significant judgement.

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 mortgages which are ringfenced. No ECLs are forecast as a result and there is no impact due to Covid-19.

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

3. Interest Receivable and Similar Income

	2020	2019
	£'000	£'000
Interest Receivable on Deemed Loan	90,060	75,606
Payable Excess Profits	(24,838)	(21,550)
Bank Interest Receivable	1,262	1,246
	66,484	**55,302**

4. Interest Payable and Similar Expenses

	2020	2019
	£'000	£'000
Interest Payable on Loan from Related Company	63,265	54,222
	63,265	**54,222**

5. *Operating Expenses*

Operating expenses include fees payable to Ernst & Young LLP as auditors of £57,000 (2019: £50,000 The Company has no employees (2019: none).

The directors received no remuneration from the Company in respect of qualifying services rendered during the year. During the year, fees of £26,000 (2019: £22,000) were paid to Wilmington Trust SP Services (London) Limited in respect of corporate services provided to the Company.

6. Income Tax Expense

	2020	2019
	£'000	£'000
Current Tax Expense (UK Corporation Tax at 19%)	2	2
Total Current Income Tax Expense	**2**	**2**

	2020	2019
	£'000	£'000
Profit Before Taxation	10	10
Tax at 19%	2	2
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% (2019: 19%).

7. Cash & Cash Equivalents

The Company has placed its deposit account with Nationwide Building Society as a provider of a Guaranteed Investment Contract. Withdrawals from this account are restricted by the detailed priority of payments set out in the programme documentation. The balance as at 4 April 2020 was made up of a reserve of £150,000,000 (2019: £100,000,000) and a balance of £206,602,000 (2019: £399,140,000) available for allocation under the priority of payments.

8. Deemed Loan to Related Companies

	2020	2019
	£'000	£'000
Deemed Loan to Silverstone Finance Trustee Limited	6,244,399	2,724,916
Excess Profits Payable	(111,606)	(107,437)
Accrued Interest	(191)	(181)
	6,132,602	**2,617,298**

The beneficial interest in the mortgage pool was £6,492,576,000 (2019: £3,117,329,000) and has been accounted for as part of the deemed loan, offset by accumulated principal repayments. The excess profits payable have also been included within the loan balance.

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

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

Reconciliation of 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 2019	**2,617,298**	-	-	-	-	-	**2,617,298**	-
Stage Transfers	-	-	-	-	-	-	-	-
Movements	3,515,304	-	-	-	-	-	3,515,304	-
04 April 2020	**6,132,602**	-	-	-	-	-	**6,132,602**	-
Net Carrying Amount		**6,132,602**		-		-		**6,132,602**
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 2018	**3,541,335**	-	-	-	-	-	**3,541,335**	-
Stage Transfers	-	-	-	-	-	-	-	-
Movements	(924,037)	-	-	-	-	-	(924,037)	-
04 April 2019	**2,617,298**	-	-	-	-	-	**2,617,298**	-
Net Carrying Amount		**2,617,298**		-		-		**2,617,298**
Income Statement Charge for the Year								-

9. Loans from Related Companies

2020	< 1 Year £'000	1 - 5 Years £'000	> 5 Years £'000	Total £'000
Loan (Priced Against 3-Month GBP LIBOR)(note 1)	1,261,431	2,785,898	2,379,801	**6,427,130**
Loan (Priced Against 1-Month GBP LIBOR)(note 2)	-	-	48,877	**48,877**
Accrued Interest	16,569	-	-	**16,569**
Capitalised Issuance Fees	(691)	(1,527)	(1,305)	**(3,523)**
	1,277,309	**2,784,371**	**2,427,373**	**6,489,053**

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

Note
(1) Loan from Silverstone Master Issuer PLC
(2) Startup Loan from Nationwide Building Society

10. Other Liabilities

	2020 £'000	2019 £'000
Other Payables	53	175
	53	**175**

11. Called Up Share Capital

	2020 £	2019 £
Authorised: Ordinary Shares of £1 Each	100	100
Number of Shares		
Issued and Fully Paid: Ordinary Shares of £1	1	1

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

12. Retained Earnings

	2020 £'000	2019 £'000
Balance Brought Forward	88	80
Profit for the Financial Year	8	8
Balance at the End of the Year	**96**	**88**

No dividends were proposed or paid during the year (2019: none).

13. Risk Management and Control of the Group

Corporate Governance Statement

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

Credit Risk

Credit risk arises where there is a possibility that a counterparty may default. The primary credit risk of the Company relates to the underlying credit risk associated with the securitised pool of mortgages originated within Nationwide Building Society. There was no (2019: nil) impairment provision against the loans and other debts due from members. Credit risk also arises in relation to cash and cash equivalents placed on deposit with Nationwide Building Society as the provider of the Guaranteed Investment Contract (GIC).

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

The likelihood of defaults in the mortgage pool and the amounts that may be recovered in the event of default are related to several factors and may vary according to characteristics and product type. Significant changes in the economy, or in the health of a geographical zone that represents a concentration in these securitised assets, could also affect the cash flows from the mortgage pool. Key characteristics of the mortgage pool at 4 April 2020 are shown in this note. As existing mortgage loans are repaid, and new loans are sold to the Company, the characteristic of the mortgage pool may change. All risk factors were assessed in detail at inception and are outlined in the Offering Circular for the notes issued.

Credit enhancement is provided to the Company. The income on the mortgage pool, including the basis swap, is expected to exceed the interest payable on the Company's inter-company loan. The excess spread is available to make good any reduction in the principal balance of the mortgage pool because of defaults by customers. There were losses of £217,000 (2019: £290,000) in the mortgage pool covered by excess spread in the year.

As at year-end the reserve fund was £150,000,000 (2019: £100,000,000). As specified in the final terms for the 2020-1 issuance the reserve fund required amount became £150,000,000, requiring an increase of £50m to the subordinated start-up loan from Nationwide Building Society. The outstanding balance of the start-up loan as at 4 April 2020 was £48m.

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

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

Credit Risk (Continued)

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

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

Counterparty Credit Ratings

		S&P, Moody's, Fitch (04/04/2020)			S&P, Moody's, Fitch (04/04/2019)	
Function	Counterparty	Short Term	Long Term	Trigger Breached	Short Term	Long Term
Bank Account	Nationwide Building Society	A-1/P-1/F1	A/A1/A	No	A-1/P-1/F1	A/Aa2/A+

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

Securitised Mortgage Assets

The following tables present the characteristics of the entire portfolio of mortgage loans held by the Trust and originated by Nationwide Building Society. The values of residential property on which the mortgage loans are secured are updated quarterly to reflect changes in the house price index. The Company's share of these mortgages is 41% (2019: 39%) and these back the deemed loan to the Originator.

Mortgage Pool Details	**2020**	**2019**
Aggregate Loan Balance (£'m)	15,177	6,936
Number of Loans	203,568	144,574
Largest Loan (£)	980,136	885,603
Average Balance of Mortgage Loan (£)	74,556	47,979
Longest Dated Mortgage Legal Maturity (years)	49	34

Distribution by Current Loan to Value Ratio (Indexed)	**2020**	**2019**
	%	**%**
<70%	69.9	95.0
70% - 80%	14.4	3.5
80% - 90%	14.6	1.2
90% - 100%	1.1	0.2
>100%	-	0.1
Total Book	**100.0**	**100.0**
Average Loan to Value of Book (Indexed)	54.2	39.1

Mortgages Due Status		**2020**		**2019**
	£'000	**%**	**£'000**	**%**
Not Impaired				
Neither Past Due nor Impaired	15,108,318	99.5	6,859,134	98.9
Past Due up to 3 Months but not Impaired	29,645	0.2	30,066	0.4
Impaired	39,324	0.3	47,281	0.7
	15,177,287	**100.0**	**6,936,481**	**100.0**

Impaired Mortgage Loans		**2020**		**2019**
	£'000	**%**	**£'000**	**%**
Impaired Status				
Past Due 3 to 6 Months	10,906	27.7	11,009	23.3
Past Due 6 to 12 Months	23,010	58.5	30,361	64.2
Past Due Over 12 Months	4,282	10.9	5,343	11.3
Possessions	1,126	2.9	568	1.2
	39,324	**100.0**	**47,281**	**100.0**

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

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

Securitised Mortgage Assets (Continued)

Possessions	**2020**	**2019**
	Number	**Number**
Possessions During the Year	20	22
Possessions yet to be Sold	11	7

Geographical Distribution	**2020**	**2019**
	%	**%**
South-East England (Excluding Greater London)	28.2	27.2
Central England	18.1	18.4
Northern England	16.1	18.2
Greater London	13.0	12.6
South-West England	9.4	8.4
Scotland	9.1	8.3
Wales and Northern Ireland	6.1	6.9
	100.0	**100.0**

Liquidity and Funding Risk

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

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

The Company is obliged to make payments on the inter-company loans to the extent it receives enough cash flows from the underlying mortgage pool. If the Company does not receive sufficient revenue funds, the interest is capitalised. The Company will use the principal funds from the mortgage pool to repay the inter-company loans in accordance with the expected due date. When required, cash relating to principal receipts on mortgages is accumulated within the Company prior to note repayments. The amount of cash held for this purpose as at 4 April 2020 was £ nil (2019: £ nil).

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

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

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

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.

Residual Maturity Analysis

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	356,602	-	-	-	-	-	-	-	356,602
Deemed Loan	44,158	-	628,649	486,980	61,119	668,775	2,089,232	2,153,689	6,132,602
Total Assets	**400,760**	**-**	**628,649**	**486,980**	**61,119**	**668,775**	**2,089,232**	**2,153,689**	**6,489,204**
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Related Party Loans	239,960	-	556,058	417,116	64,175	621,520	2,162,851	2,427,373	6,489,053
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	68	-	-	-	-	-	-	(15)	53
Total Liabilities	**240,028**	**-**	**556,058**	**417,116**	**64,177**	**621,520**	**2,162,851**	**2,427,358**	**6,489,108**
Net Position	**160,732**	**-**	**72,591**	**69,864**	**(3,058)**	**47,255**	**(73,619)**	**(273,669)**	**96**

04 April 2019	< 1 Month	1 - 3 Months	3 - 6 Months	6 - 9 Months	9 - 12 Months	1 - 2 Years	2 - 5 Years	Over 5 Years	Total
Assets	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash Equivalents	499,140	-	-	-	-	-	-	-	499,140
Deemed Loan	6,636	-	109,247	114,655	109,247	909,307	1,165,643	202,563	2,617,298
Total Assets	**505,776**	**-**	**109,247**	**114,655**	**109,247**	**909,307**	**1,165,643**	**202,563**	**3,116,438**
Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Related Party Loans	416,869	-	123,642	129,635	123,644	871,515	1,144,950	305,918	3,116,173
Tax	-	-	-	-	2	-	-	-	2
Other Liabilities	60	-	-	-	-	-	-	115	175
Total Liabilities	**416,929**	**-**	**123,642**	**129,635**	**123,646**	**871,515**	**1,144,950**	**306,033**	**3,116,350**
Net Position	**88,847**	**-**	**(14,395)**	**(14,980)**	**(14,399)**	**37,792**	**20,693**	**(103,470)**	**88**

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

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

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

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

Liquidity and Funding Risk (Continued)

The start-up loan included in Related Party Loans has a contractual final maturity date of 21 April 2070. Repayments are made monthly where there are sufficient excess profits to do so, however given these are not fixed, and due to Covid-19, it has been deemed prudent to include the notional in the final time bucket

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 2020	1.31%	14.70%	14.61%
31 March 2019	1.68%	29.46%	18.43%

The table below present the contractual undiscounted cash flows of all financial liabilities at the balance sheet date. The start-up loan included in Related Party Loans has a contractual final maturity date of 21 April 2070. Repayments are made monthly where there are sufficient excess profits to do so, however given these are not fixed, and due to Covid-19, it has been deemed prudent to include the notional in the final time bucket and calculate future coupons up to this date.

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**
Liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Related Party Loans	215,789	90	508,527	360,798	72,473	627,903	2,353,932	2,645,649	**6,785,161**
Total Liabilities	**215,789**	**90**	**508,527**	**360,798**	**72,473**	**627,903**	**2,353,932**	**2,645,649**	**6,785,161**

04 April 2019	**< 1 Month**	**1 - 3 Months**	**3 - 6 Months**	**6 - 9 Months**	**9 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**Over 5 Years**	**Total**
Liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Related Party Loans	401,850	-	120,249	125,512	119,925	945,057	1,518,168	305,918	**3,536,679**
Total Liabilities	**401,850**	**-**	**120,249**	**125,512**	**119,925**	**945,057**	**1,518,168**	**305,918**	**3,536,679**

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

Liquidity and Funding Risk (Continued)

Interest Rate Risk

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

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

Foreign Currency Risk

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

14. Fair Value of Financial Assets and Liabilities

Fair Value of Financial Assets and Liabilities at Amortised Cost

2020	Carrying Value £'000	Fair Value £'000
Assets		
Deemed Loan to Related Company	6,132,602	6,146,179
Liabilities		
Loans from Related Companies	6,489,053	6,719,613

2019	Carrying Value £'000	Fair Value £'000
Assets		
Deemed Loan to Related Company	2,617,298	2,541,475
Liabilities		
Loans from Related Companies	3,116,173	3,188,140

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

Level 3 Valuation technique using significant unobservable inputs

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data ('unobservable inputs'). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. An input is deemed significant if it is shown to contribute more than 10% to the valuation of a financial instrument. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

15. 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.

16. Parent Undertaking and Ultimate Controlling Entity

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

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

For accounting purposes, the Company's ultimate parent and controlling party is Nationwide Building Society, a company incorporated in England and Wales.

Nationwide Building Society is registered at Nationwide House, Pipers Way, Swindon, Wiltshire, SN38 1NW. The Group Annual Report and Accounts can be obtained from this address of at www.nationwide.co.uk.

17. Post Balance Sheet Events

There are no post balance sheet events to report.

18. Related Party Transactions

During the year, fees of £26,000 (2019: £22,000) were paid to Wilmington Trust SP Services (London) Limited in respect of corporate services provided to the company.