Registered Number: 06612744

Silverstone Master Issuer plc

Annual Report and Financial Statements for the year ended 4 April 2017

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Directors and company information

Directors
Mignon Clarke-Whelan (nee Mignon Clarke)
Philip Andrew Townsend
Daniel Wynne
Wilmington Trust SP Services (London) Limited

Company secretary
Wilmington Trust SP Services (London) Limited

Independent auditor
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
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London
EC2R 7AF

Registered number
06612744
Registered in England and Wales

Directors' report for the year ended 4 April 2017

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 2017.

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.

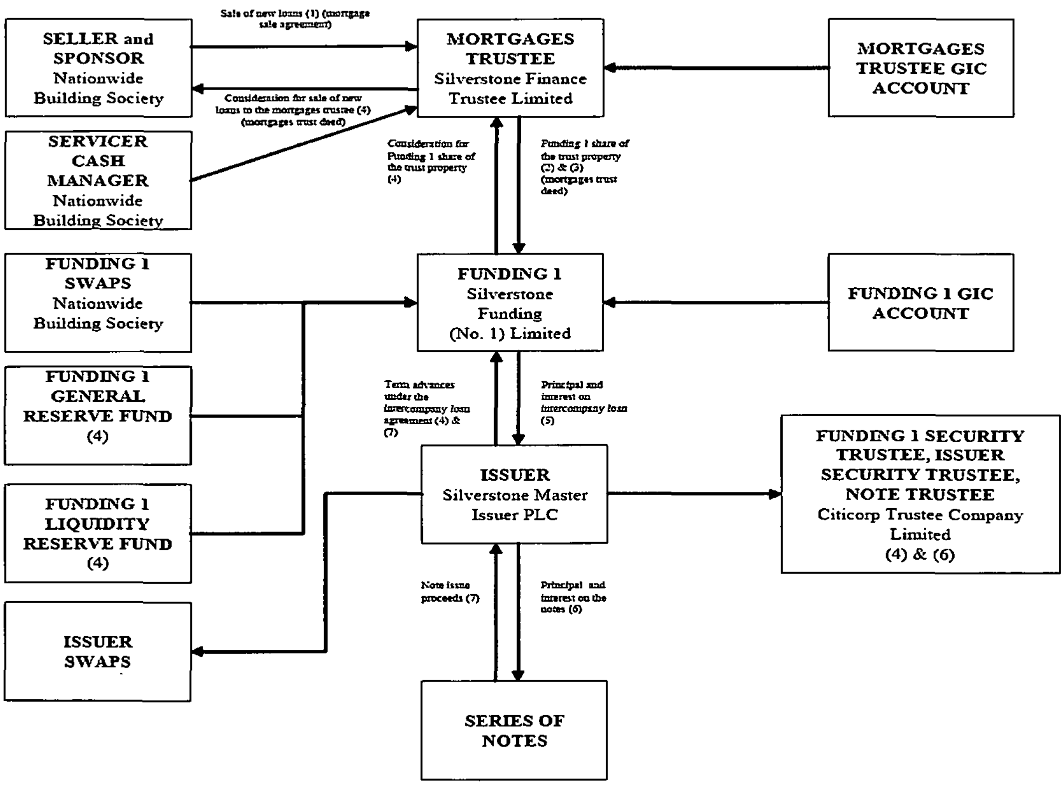
Principal activities

Silverstone Master Issuer plc is a wholly owned subsidiary of Silverstone Securitisation Holdings Limited, the parent company.

The principal 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 of 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 this financial year.

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



Principal activities (continued)

Silverstone Master Issuer plc lends the proceeds of the notes issued under the programme to Silverstone Funding (No. 1) Limited. The loan proceeds from prior periods have been used to purchase an interest in the assets of Silverstone Finance Trustee Limited ("the Trust"). The assets of the Trust comprise mortgage loans originated within Nationwide Building Society and secured on residential properties in England, Wales, Scotland and Northern Ireland.

Directors' 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 its 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. Andrew Townsend is an employee of Nationwide Building Society. The directors who resigned or were appointed during the year, together with their dates of resignation / appointment, where appropriate, are shown below;

Mark Howard Filer	Resigned 20 April 2017
Daniel Jonathan Wynne	Appointed 20 April 2017

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 (2016: Zero employees).

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 taken action 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.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In accordance with Section 418, directors' report shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware of, and
(b) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Mignon Clarke-Whelan
For and on behalf of Wilmington Trust SP Services (London) Limited
14 September 2017

Strategic report for the year ended 4 April 2017 (continued)

The directors present their Strategic report for the year ended 4 April 2017.

Business review

In the year to 4 April 2017 the Silverstone structure serviced an additional £310,000,000 of Asset Backed Security Issuances.

Note	Amount	Date
2017-1 Z-VFN	£310 million	January 2017

The following notes matured or were partially or fully repaid during the year totalling £2,906,300,000:

Note	Amount	Date
2009-1 A3	£650 million	November 2016
2009-1 Z	£1,482 million	January 2017
2011-1 A2	£170 million	October 2016
2011-1 Z	£14.3 million	January 2017
2012-1 2A1	£425 million	October 2016 & January 2017
2012-1 2A2	£100 million	October 2016 & January 2017
2015-1_1A	£65 million	January 2017

As a result, the intercompany loan to Silverstone Funding (No.1) Limited reduced in the year. The intercompany loans enable Silverstone Funding (No.1) Limited to purchase an interest in the assets of a trust administered by the Trust. The assets of the Trust comprise mortgage loans originated within Nationwide Building Society ("the Originator"), secured on residential properties in England, Wales, Scotland and Northern Ireland.

The balance sheet on page 12 of the financial statements shows the Company's financial position at the year end.

Future developments

The Company will continue to act as an issuer of notes and invest the proceeds as intercompany loans to Silverstone Funding (No.1) Limited.

Strategic Goals

Although strategic goals are set at Group level, the Board are aware of the Company's role in supporting the Group's ambition to meet these goals. The key performance indicators in relation to the Group's strategic goals are set out below:

- Deliver optimum profitability by targeting £0.9 billion - £1.3 billion underlying profit per annum
- Ensure capital strength by maintaining a leverage ratio of at least 4%
- Engage and enable its people by achieving cross-industry high performance (HP) benchmarks
- Be a market leader with a 3% lead for customer service satisfaction
- Grow the base of engaged members to 10 million by 2022
- Be 1st choice with a 4% lead in prompted brand consideration by 2022 in traditional and digital media
- Be a market leader with a 3% lead for trusted brand recognition.

Further information on the Group's performance against these, and also the strategic goals for the next five years can be found in the Overview section of the Group Annual Report and Accounts.

Strategic Goals (continued)

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 intercompany 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 to the note holders of interest and principal when due.

Please refer to Note 18 for all the ratings that have been applied in the reviewed year and subsequently up to the date of approval of these financial statements.

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

Results and dividends

The loss for the financial year to 4 April 2017 was £400,000 (2016: £3,539,000 loss for the financial year). This is primarily comprised of net interest income of £1,251,000 (2016: £1,402,000 net interest income), losses from derivatives and hedge accounting of £408,000 (2016: £3,547,000 loss) and operating expenses of £1,241,000 (2016: £1,392,000).

Profits on a cash flow basis are pre-determined 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 in excess of those required to enable the Company to generate £10,000 cash flow profit before tax are distributed accordingly under the revenue priority of payments defined in the programme documentation.

No dividends were paid during the year (2016: £Nil).

Risk management and control of the Group

The Group's mutual model ensures focus on securing the long-term needs of its members whilst maintaining a balance sheet primarily invested in UK residential property and an investment grade liquidity portfolio. Sound management has reduced our exposure to higher risk assets over recent years and retained profits have allowed investment in ongoing service development and strengthened the capital position.

While the Group is a low risk organisation, inevitably it faces challenges that pose strategic risks to the delivery of planned objectives and operational risks as it continues to embrace the digital revolution.

Although the Group's financial position continues to strengthen, risks remain. A number of factors could affect the Group's financial and lending risks. These include ongoing political uncertainty in the Eurozone and potential economic weakness that could adversely impact the operating environment of the Group.

Risk management and control of the Group (continued)

Following the result of the EU referendum, the impact of the UK's impending exit from the EU is one of the top risks. This is due to the widespread political and economic uncertainty it has caused, which spans all risk categories. In addition to this risk, over the past year the Society took specific measures to enhance liquidity and protect the financial stability of Nationwide ahead of the vote and Nationwide continues to regularly monitor this risk.

It is also almost certain that regulators' and customers' expectations will increase, and their tolerance for failure will reduce. Dealing effectively with regulation is an important part of running a modern financial institution. The Group's business model and member focus put it in a good position to meet regulatory expectations of conduct.

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

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

- Lending risk
- Financial risk
- Operational risk
- Conduct and compliance risk, and
- Strategic risk.

The risk management objectives and policies which correspond to these risks and uncertainties and details on how these are managed and mitigated can be found in the 'Business and Risk Report' section of the Group's 2017 Annual Report and Accounts.

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

Mignon Clarke-Whelan
For and on behalf of Wilmington Trust SP Services (London) Limited
14 September 2017

Independent auditor's report to the directors of Silverstone Master Issuer plc

Report on the financial statements

Our opinion

In our opinion, Silverstone Master Issuer plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 4 April 2017 and of its loss 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 4 April 2017;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

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

- the information given in the Corporate Governance Statement set out in Note 18 ("Risk management and control of the group") with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the information referred to above in the Corporate Governance Statement. We have nothing to report in this respect.

Independent auditor's report to the directors of Silverstone Master Issuer plc (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the company. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

Independent auditor's report to the directors of Silverstone Master Issuer plc (continued)

What an audit of financial statements involves (continued)

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Laura Needham

Laura Needham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 September 2017

Profit and Loss Account for the year ended 4 April 2017

	Note	**2017 £'000**	2016 £'000
Interest receivable and similar income	3	**103,874**	131,398
Interest payable and similar expenses	4	**(102,623)**	(129,996)
Net interest income		**1,251**	1,402
Losses from derivatives and hedge accounting	5	**(408)**	(3,547)
Total income/(expense)		**843**	(2,145)
Operating expenses	6	**(1,241)**	(1,392)
Loss before tax		**(398)**	(3,537)
Tax expense	7	**(2)**	(2)
Loss for the financial year		**(400)**	(3,539)

No other comprehensive income was earnt during the year.

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

Balance Sheet as at 4 April 2017

	Note	2017 £'000	2016 £'000
Assets			
Cash and cash equivalents	8	**123**	-
Loan to related company	10	**3,656,204**	6,174,358
Derivative financial instruments	11	**425,310**	220,635
Trade and other receivables	12	**-**	384
Other debtors	13	**37**	37
Total assets		**4,081,674**	6,395,414
Equity and liabilities			
Liabilities			
Bank overdraft	9	**-**	232
Debt securities in issue	14	**4,085,908**	6,399,116
Current tax liabilities	7	**2**	2
Trade and other payables	15	**100**	-
Total liabilities		**4,086,010**	6,399,350
Equity			
Called up share capital	16	**50**	50
Profit and loss account	17	**(4,386)**	(3,986)
Total equity		**(4,336)**	(3,936)
Total equity and liabilities		**4,081,674**	6,395,414

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 on pages 12 and 13 were approved by the board of directors on 14 September 2017

Signed for and on behalf of the board of directors

Mignon Clarke-Whelan
For and on behalf of Wilmington Trust SP Services (London) Limited
14 September 2017

Statement of changes in equity for the year ended 4 April 2017

For the year ended 4 April 2017

		Attributable to owners of the company		
	Note	Called up Share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 5 April 2016		**50**	**(3,986)**	**(3,936)**
Loss for the financial year	17	-	**(400)**	**(400)**
Balance at 4 April 2017		**50**	**(4,386)**	**(4,336)**

For the year ended 4 April 2016

		Attributable to owners of the company		
	Note	Called up Share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 5 April 2015		50	(447)	(397)
Loss for the financial year	17	-	(3,539)	(3,539)
Balance at 4 April 2016		50	(3,986)	(3,936)

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

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of derivatives to the extent required or permitted under 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. Accounting policies have been consistently applied in preparing these financial statements. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of International Accounting Standard (IAS) 7 *Statement of Cash Flows*; and
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Further details on critical accounting estimates are given in note 2.

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 4 April 2017, have had a material impact on the Company.

Interest receivable and interest expense

For financial instruments measured at amortised cost, the effective interest method is used to measure the carrying value of a financial asset or a financial liability and to allocate associated interest income or expense over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

In calculating the EIR, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption charges), but does not consider future credit losses. The calculation includes all fees received and paid and costs borne, that are an integral part of the EIR, and all other premiums or discounts above or below market rates.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest receivable is presented net of amounts payable to Silverstone Funding (No.1) Limited to reduce cash flow to £10,000 per annum limit in accordance with the securitisation transaction documents.

1 Accounting policies (continued)

Fees and commissions

Direct fees and costs incremental to generating a financial instrument are deferred and spread as interest receivable or expense on an effective interest basis.

Other fees and commissions are recognised on the accruals basis as services are provided, or on the performance of a significant act.

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.

Taxation including deferred tax

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.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Non-derivative financial instruments

The Company classifies its loan to related company as a loan and receivable held at amortised cost. This loan is subject to impairment review in accordance with IAS39. Debt securities in issue are stated at amortised cost.

Impairment of financial assets

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the loan to the related company has become impaired. Evidence of impairment may include indications that the counterparty is experiencing significant financial difficulty, default or delinquency in interest or principal payments.

Delinquencies and defaults on the underlying securitised assets will not result in an impairment loss if the cash flows from the asset pool are still expected to meet the obligations under the limited recourse loan. Losses incurred on the securitised assets will not trigger impairment as long as they do not exceed the credit enhancement granted by Nationwide Building Society. The amount of the loss is measured as the difference between the carrying value of the loan and the present value of the estimated future cash flows (excluding future credit loss that have not been incurred) discounted with the original effective interest rate.

The carrying amount of the asset is reduced by the amount of the loss, which is recognised in the profit and loss account.

1 Accounting policies (continued)

Derecognition of financial assets and liabilities

Derecognition is the point at which the Company removes an asset or liability from its balance sheet.

Financial assets are derecognised when the rights to receive cash flows have expired or where the assets have been transferred and substantially all of the risks and rewards of ownership have been transferred.

Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired.

Derivatives and hedge accounting

a) Derivative financial instruments

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

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

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

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

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

b) Hedge accounting

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

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

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

1 Accounting policies (continued)

Derivatives and hedge accounting (continued)

b) Hedge accounting

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

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

Foreign Exchange translation

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

2 Judgements in applying accounting policies and critical accounting estimates

No judgements, estimates or assumptions have been made that are considered critical to the preparation of these financial statements.

3 Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest receivable on loan to Silverstone Funding (No.1) Limited	**85,993**	114,399
Interest receivable on swap with Nationwide Building Society	**15,190**	13,400
Other income	**2,691**	3,599
	103,874	131,398

4 Interest payable and similar expenses

	2017	2016
	£'000	£'000
Interest payable on debt securities	**102,623**	129,996
	102,623	129,996

5 Losses from derivatives and hedge accounting

	2017 £'000	2016 £'000
Derivatives designated as fair value hedge accounting	**(24,291)**	(14,068)
Fair value movement attributable to hedged risk	**24,528**	13,166
Gains/(losses) from fair value hedge accounting (note i)	**237**	(902)
Losses from foreign currency derivatives (note ii)	**(8,210)**	(5,396)
Foreign exchange gain	**7,565**	2,751
	(408)	(3,547)

Notes
(i) Gains or losses from fair value hedges can arise where there is a hedge accounting relationship in place and either:
- the relationship passed all the monthly effectiveness tests but the fair value of the derivative was not exactly offset by the change in fair value of the liability being hedged (sometimes referred to as hedge ineffectiveness); or
- the relationship failed a monthly effectiveness test which, for that month, disallows recognition of the change in fair value of the underlying asset or liability being hedged and in following months leads to the amortisation of resultant balance sheet positions.

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

Although the Group uses derivatives exclusively to hedge risk exposures 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 its cumulative impact will trend to zero over time.

A loss of £0.4 million (2016: £3.5 million loss) has been recognised in the year ended 4 April 2017 for derivatives and hedge accounting. Included within this result was the impact of the following accounting movements:

- A gain of £0.2 million (2016: £0.9 million loss) on micro fair value hedge relationships; and
- A loss of £8.2 million (2016: £5.4 million loss) on cross currency interest rate swaps which were used to economically hedge non-sterling wholesale funding.

6 Operating expenses

	2017 £'000	2016 £'000
Management fee - Nationwide Building Society	**100**	100
Credit rating agency fees	**722**	507
Legal fees	**153**	398
Other operating expenses	**228**	358
Audit fees	**38**	29
	1,241	1,392

6 Operating expenses (continued)

The Company has no employees (2016: Zero employees). A management fee of £100,000 (2016: £100,000) for administration services is charged by Nationwide Building Society.

The directors' contracts of service are with the Group and their remuneration is included within the Group's financial statements. All directors are accruing benefits under the Group's defined contribution pension scheme.

No remuneration or pension scheme benefits were paid or are payable by the Company to the directors. The directors provide services to the Group as a whole, and their principal activities are not specific to the business of this Company. It is not possible to make an accurate apportionment of their emoluments to the Company. Hence, no directors' emoluments are disclosed in the financial statements of the Company.

7 Tax expense

	2017	2016
	£'000	£'000
Current tax expense		
UK corporation tax at 20% (2016: 20%)	**2**	2
Total current tax expense	**2**	2

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

	2017	2016
	£'000	£'000
Loss before tax for the year	**(398)**	(3,537)
Tax at 20% (2016: 20%)	**(80)**	(707)
Adjustments in respect of securitisation regime	**82**	709
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 as loss in the Company.

A corporation tax expense has been recognised on the Company's retained cash profit of the maximum amount allowed under the transaction documents of £10,000 at 20% (2016: 20%) which is the rate applicable to securitisation company profits.

8 Cash and Cash Equivalents

The Company has placed its deposit account with the 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 2017 was £123,000 (2016: nil) available for allocation under the priority of payments.

9 Bank Overdraft

The balance as at 4 April 2017 was an overdraft of nil (2016: £232,000 overdraft).

10 Loan to related company

	2017	2016
	£'000	£'000
Loan to Silverstone Funding (No.1) Limited	**3,646,900**	6,150,228
Accrued interest on Loan to Silverstone Funding (No.1) Limited	**9,304**	24,130
	3,656,204	6,174,358

In the year £1.4 million of the facility fees to fund issue costs has been amortised to the profit and loss account (2016: £2.1 million).

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

11 Derivative financial instruments

	2017				2016			
	Assets		**Liabilities**		Assets		Liabilities	
	Contract/ notional amount £'000	**Fair value asset £'000**	**Contract/ notional amount £'000**	**Fair value liability £'000**	Contract/ notional amount £'000	Fair value asset £'000	Contract/ notional amount £'000	Fair value liability £'000
Derivatives designated as fair value hedging instruments								
Interest rate swaps	**500,000**	**7,063**	-	-	1,000,250	37,593	-	-
Other derivatives not designated in hedge accounting relationships								
Cross currency interest rate swaps	**2,598,888**	**418,247**	-	-	2,598,888	183,042	-	-
Total	**3,098,888**	**425,310**	-	-	3,599,138	220,635	-	-

The derivative asset and liability fair values in the above table are inclusive of accrued interest of £1.9 million and £0 million respectively (2016: £9 million and (£0 million) respectively).

An analysis of the maturity profiles of the derivatives can be found in note 18. The contract / notional amount indicates the amount outstanding at the balance sheet date and does not represent amounts at risk.

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.

11 Derivative financial instruments (continued)

Offsetting (continued)

In accordance with IFRS 7 Financial Instruments: Disclosure, 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, and
- 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.

When received, 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 2017 and 2016, all derivative contracts were with Nationwide Building Society and were uncollateralised.

The 'Net amounts after offsetting under IFRS 7' presented below 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 the note 18.

4 April 2017	**Gross and net amounts reported on the balance sheet £'000**	**Master netting arrangements £'000**	**Net amounts after offsetting under IFRS 7 £'000**
Financial assets			
Derivative financial instruments	**425,310**	-	**425,310**
Total assets	**425,310**	-	**425,310**
Financial liabilities			
Derivative financial liabilities	-	-	-
Total liabilities	-	-	-

4 April 2016	**Gross and net amounts reported on the balance sheet £'000**	**Master netting arrangements £'000**	**Net amounts after offsetting under IFRS 7 £'000**
Financial assets			
Derivative financial instruments	220,635	-	220,635
Total assets	220,635	-	220,635
Financial liabilities			
Derivative financial liabilities	-	-	-
Total liabilities	-	-	-

12 Trade and other receivables

	2017	2016
	£'000	£'000
Due from Silverstone Funding (No.1) Limited	**-**	384

13 Other debtors

	2017	2016
	£'000	£'000
Unpaid share capital	**37**	37

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

14 Debt securities in issue

Debt securities in issue as at 4 April 2017

	1 year or less £'000	**1 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
GBP – priced against 3 month GBP LIBOR				
Weighted average margin: +0.88%	**470,936**	**912,053**	**-**	**1,382,989**
GBP – fixed rate: Nil	**-**	**-**	**-**	**-**
EUR – priced against 3 month EURIBOR				
Weighted average margin: +0.38%	**-**	**1,240,854**	**-**	**1,240,854**
USD – priced against 3 month USD LIBOR				
Weighted average margin: +1.04%	**421,754**	**622,590**	**-**	**1,044,344**
USD – fixed rate: 4.15%	**-**	**401,671**	**-**	**401,671**
Accrued interest	**11,285**	**-**	**-**	**11,285**
Capitalised start-up costs	**(769)**	**(914)**	**-**	**(1,683)**
Fair value adjustment for micro hedged risk	**-**	**6,448**	**-**	**6,448**
	903,206	**3,182,702**	**-**	**4,085,908**

Debt securities in issue as at 4 April 2016

	1 year or less £'000	**1 to 5 years £'000**	**Over 5 years £'000**	**Total £'000**
GBP – priced against 3 month GBP LIBOR				
Weighted average margin: +1.19%	1,831,572	1,072,989	-	2,904,561
GBP – fixed rate: 5.063%	650,000	-	-	650,000
EUR – priced against 3 month EURIBOR				
Weighted average margin: +0.38%	-	729,325	427,068	1,156,393
USD – priced against 3 month USD LIBOR				
Weighted average margin: +1.21%	367,763	910,651	-	1,278,414
USD – fixed rate: 4.15%	-	350,250	-	350,250
Accrued interest	33,385	-	-	33,385
Capitalised start-up costs	(1,622)	(1,572)	(5)	(3,199)
Fair value adjustment for micro hedged risk	11,572	17,740	-	29,312
	2,892,670	3,079,383	427,063	6,399,116

14 Debt securities in issue (continued)

In the year £1.4 million of the facility fees to fund issue costs has been amortised to the profit and loss account (2016: £2.1 million).
There have been no defaults in principal, interest or other breaches with respect to liabilities in the year (2016: none).

15 Trade and other payables

	2017 £'000	2016 £'000
Due to Silverstone Funding (No.1) Limited	**100**	-

16 Called up share capital

	2017 £	2016 £
Authorised and issued: ordinary shares of £1 each	**50,000**	50,000
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 of 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.

17 Profit and loss account

	2017 £'000	2016 £'000
Balance brought forward	**(3,986)**	(447)
Loss for the financial year	**(400)**	(3,539)
Balance at end of year	**(4,386)**	(3,986)

No dividends were proposed or paid during the year or in the prior year.

18 Risk management and control of the Group

Corporate governance statement

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

18 Risk management and control of the Group (continued)

Credit risk

Credit risk arises where there is a possibility that a counterparty may default. The primary credit risk of the Company relates to the default on the unlisted security with Silverstone Funding (No.1) Limited, which in turn depends on the credit risk associated with the securitised pool of mortgages originated within Nationwide Building Society.

The Company meets its obligations on the notes issued using the cash flows it receives from Silverstone Funding (No.1) Limited who, in turn, meets its obligations from cash flows on the mortgage loans. These represent the main recourse for the Company. As a consequence, the credit quality of the mortgage loans indicates the capacity of the Company to service its payments, although the mortgages remain on the balance sheet of Nationwide Building Society and the structure of the securitisation provides for other credit enhancements.

The likelihood of defaults in the mortgage pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in the health of a particular 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 2017 are shown below. As existing mortgage loans are repaid and new loans are sold to Silverstone Funding (No.1) Limited, the characteristics of the mortgage pool may change. All risk factors were assessed in detail at inception and are outlined in the Offering Circular for the notes.

Excess spread and a reserve fund are the forms of credit enhancement provided to the securitisation structure within Silverstone Funding (No.1) Limited. The income on the mortgage pool, including the basis swap held by Silverstone Funding (No.1) Limited, is expected to exceed the interest receivable on the Company's intercompany 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 as a result of defaults by customers. In addition, Nationwide Building Society provided a start-up loan to Silverstone Funding (No.1) Limited to create a reserve fund which can be used by Silverstone Funding (No.1) Limited in certain circumstances. As at year end the reserve fund was £100 million (2016: £100 million).

The Company has a concentration of risk to the Originator (Nationwide Building Society). The underlying mortgage assets of the securitisation 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 a large number of 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.

18 Risk management and control of the Group (continued)

Securitised mortgage assets

The tables below present the characteristics of the entire portfolio of mortgage loans held by the Trust and originated by Nationwide Building Society mortgages:

	2017	2016
Aggregate loan balance	**£10,412m**	£12,368m
Number of loans	**191,887**	216,801
Largest loan	**£929,221**	£950,389
Average balance of mortgage loan	**£54,263**	£57,046
Longest dated mortgage legal maturity	**36 years**	37 years

Distribution by current loan to value ratio (indexed):	**2017**	2016
	%	%
< 70%	**90**	86
70% - 80%	**6**	9
80% - 90%	**3**	4
> 90%	**1**	1
> 100%	**0**	0
	100	100
Average loan to value of book (indexed)	**44**	47

The values of residential property on which the mortgage loans are secured are updated quarterly to reflect changes in the house prices index.

Mortgage loans and advances by payment due status:

	2017		2016	
	£'000	%	£'000	%
Not impaired:				
Neither past due nor impaired	10,305,617	99%	12,253,582	99
Past due up to 3 months but not impaired	50,735	0%	59,455	1
Impaired	56,043	1%	54,619	0
Total	10,412,395	100%	12,367,656	100

Impaired mortgage loans are further analysed as follows:

	2017		2016	
	£'000	%	£'000	%
Impaired status:				
Past due 3 to 6 months	24,652	44%	25,509	47
Past due 6 to 12 months	17,018	30%	18,078	33
Past due over 12 months	12,653	23%	9,804	18
Possessions	1,720	3%	1,228	2
Total	56,043	100%	54,619	100

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

18 Risk management and control of the Group (continued)

Securitised mortgage assets (continued)

	2017 £'000 Number	2016 £'000 Number
Repossessions during year	**33**	36
Repossessions yet to be sold	**19**	9

Geographical distribution of the whole book of mortgages:

	2017 %	2016 %
South-east England (excluding Greater London)	**27**	27
Central England	**19**	19
Northern England	**19**	19
Greater London	**12**	12
South-west England	**8**	8
Scotland	**8**	8
Wales and Northern Ireland	**7**	7
	100	100

The Company assesses its counterparty credit risk in relation to the cash and cash equivalents and derivative contracts held with Nationwide Building Society by reference to credit ratings. In accordance with the criteria of the Rating Agencies that rate the notes issued by the Company, the programme documentation contains various rating triggers linked to each counterparty which requires certain actions to be taken if triggers are breached. These rating triggers include the replacement of Nationwide 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	**Rating type**	**Rating as at 4 April 2017 S&P/Moody's/Fitch**	**Rating Trigger Breached**	**Updated rating S&P/Moody's/Fitch (1)**
Account Bank and Swap Provider	Nationwide Building Society	Short-term	A-1/P-1/F1	N	A-1/P-1/F1
		Long-term	A/Aa3/A+	N	A/Aa3/A+

Note (1) As at date of approval of the financial statements

Liquidity risk

The Company's ability to pay interest on the notes and the other expenses depends upon the Company receiving enough cash flows from Silverstone Funding (No.1) Limited.

Principal repayments are made on the notes in accordance with the Company's principal priority of payments and reflect the amount 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 intercompany loans. Silverstone Funding (No.1) Limited will use the principal funds from the mortgage pool to repay the intercompany 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 below.

18 Risk management and control of the Group (continued)

Liquidity risk (continued)

If the Company does not receive enough funds from Silverstone Funding (No.1) Limited on the intercompany 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.

Prepayment risk

Cash flows on the loan to the Trust within Silverstone Funding (No.1) Limited (the deemed loan to the Originator) are dependent on the underlying mortgage loans originated within Nationwide Building Society. The final maturity date of the underlying mortgage loans is no later than the later of (i) 2 January 2053 and (ii) the earliest final maturity date of any outstanding notes (other than any notes designated in the relevant final terms as money market notes for the purposes of rule 2a-7 under the Investment Company Act and any notes with a final maturity date of 21 January 2055) minus 2 years. In the normal course of business, a proportion of mortgage borrowers repay their loan in advance of their contractual maturity. As a result, the weighted average life of the loan and the notes is likely to be significantly less than that implied by the contractual maturity dates of the mortgage pool.

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

The Constant Payment Rate ("CPR") for the underlying mortgage pool as detailed within the Investor Report is as follows:

	Monthly CPR %	Average of last 3 months %	Monthly rate annualised %
31st March 2017	**1.62**	**15.91**	**17.79**
31st March 2016	1.89	18.34	20.50

18 Risk management and control of the Group (continued)

Prepayment risk (continued)

The table below analyses assets and liabilities into relevant maturity ratings based on the remaining period at the balance sheet date to the contractual maturity date.

At 4 April 2017
Residual maturity

	Due In								
Assets	**Less than 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**
Cash and cash equivalents	123	-	-	-	-	-	-	-	123
Loan to related company **	(81)	(148)	546,185	(185)	(178)	585,300	2,525,311	-	3,656,204
Derivative financial instruments	(8,509)	-	89,589	-	-	-	344,230	-	425,310
Other debtors	-	-	-	-	-	-	-	37	37
Total assets	(8,467)	(148)	635,774	(185)	(178)	585,300	2,869,541	37	4,081,674
Liabilities									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Debt securities in issue	337,083	(147)	436,612	64,814	64,845	608,170	2,574,531	-	4,085,908
Trade and Other payables	-	-	-	-	-	-	-	100	100
Total liabilities	337,083	(147)	436,612	64,814	64,845	608,170	2,574,531	100	4,086,008
	(345,550)	(1)	199,162	(64,999)	(65,023)	(22,870)	295,010	(63)	(4,334)

*Includes repayable on demand
**Loans to related party – net of issuance costs. Some periods will have negative values due to amortisation of issuance costs.

At 4 April 2016
Residual maturity

	Due In								
Assets	Less than 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
Loan to related company **	23,969	(305)	(467)	2,316,252	(258)	976,845	2,317,577	540,745	6,174,358
Derivative financial instruments	-	-	-	19,559	-	69,592	115,576	15,908	220,635
Other debtors	-	-	-	-	-	-	-	421	421
Total assets	23,969	(305)	(467)	2,335,811	(258)	1,046,437	2,433,153	557,074	6395,414
Liabilities									
Bank Overdraft	232	-	-	-	-	-	-	-	232
Debt securities in issue	67,184	(319)	33,510	2,493,688	298,607	837,905	2,241,478	427,063	6,399,116
Trade and Other payables	-	-	-	-	-	-	-	-	-
Total liabilities	67,416	(319)	33,510	2,493,688	298,607	837,905	2,241,478	427,063	6,399,348
	(43,447)	14	(33,977)	(157,877)	(298,865)	208,532	191,675	130,011	(3,934)

*Includes repayable on demand
**Loans to related party – net of issuance costs. Some periods will have negative values due to amortisation of issuance costs.

18 Risk management and control of the Group (continued)

Prepayment risk (continued)

The table below presents 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).

At 4 April 2017
Gross contractual cash flows

	Due In								
	Less than 1 month*	**1–3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Debt securities in issue	339,636	-	449,463	75,720	75,757	651,545	2,631,117	-	4,223,238
Other Liabilities	-	-	(100)	-	-	-	-	-	(100)
Total liabilities	339,636	-	449,363	75,720	75,757	651,545	2,631,117	-	4,223,138

*Includes repayable on demand

At 4 April 2016
Gross contractual cash flows

	Due In								
	Less than 1 month*	1–3 months	3-6 months	6-9 months	9-12 months	1-2 years	2-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt securities in issue	72,849	-	56,988	2,521,965	312,470	877,691	2,297,914	427,806	6,567,683
Total liabilities	72,849	-	56,988	2,521,965	312,470	877,691	2,297,914	427,806	6,567,683

*Includes repayable on demand

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 into interest rate swaps with Nationwide Building Society, which are utilised for hedge accounting. Through the use of interest rate swaps, the Company is able to swap the fixed interest payable on its fixed rate notes for a 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 into cross currency swaps at the time of the notes issuance and therefore has no net foreign currency risk over the life of the notes.

19 Fair value of financial assets and liabilities

Fair value of financial assets and liabilities at amortised cost

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the balance sheet at fair value.

	2017		2016	
	Carrying value	**Fair value**	Carrying value	Fair value
	£'000	**£'000**	£'000	£'000
Assets				
Loan to related company	**3,656,204**	**3,657,076**	6,174,358	6,175,593
Liabilities				
Debt securities in issue	**(4,085,908)**	**(4,135,498)**	(6,399,116)	(6,420,837)

The estimated fair value of loans due from related company represents the discounted amount of estimated future cash flows expected to be received based on the underlying mortgage pool assets. Expected cash flows are discounted at current market rates to determine fair value. These are considered to be level 3 within 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 2017 (2016: Zero). There have been no movements in and out of level 3 throughout the year.

20 Events after the reporting year

There were no other material events subsequent to 4 April 2017 that have not been reflected in the financial statements.

21 Capital management

Capital comprises the retained earnings and share capital. Capital is managed on a Group basis.

The Group is subject to the capital requirements imposed by its regulator, the Prudential Regulation Authority (PRA). During the year the Group complied with the capital requirements set by the PRA.

22 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. The ultimate parent and controlling party is Nationwide Building Society, which is registered in England and Wales and prepares the consolidated financial statements.

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**.