FOSSE MASTER ISSUER PLC

Registered in England and Wales
No. 05925693

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2020

STRATEGIC REPORT

The Directors submit the Strategic Report together with their Report of the Directors and the audited financial statements for the year ended 31 December 2020.

Principal activities

Fosse Master Issuer Plc (the 'Company') was established as a special purpose company for the purposes of issuing debt securities (the 'Notes') in the international capital markets and lending the proceeds thereof to a group company, Fosse Funding (No.1) Limited, on a limited recourse basis. In turn Fosse Funding (No.1) Limited make such funds available to the Santander UK plc by purchasing a beneficial interest in a UK residential mortgage loan portfolio held by Fosse Trustee (UK) Limited (the 'Fosse Master Trust').

The principal activities of the Company as defined in the Securitisation transaction document (the "Transaction document") which can be found at http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust include holding loans under intercompany loan agreement to Fosse Funding (No.1) Limited, entering into financial instruments, issuing the Notes and other activities reasonably incidental thereto.

The programme

The mortgage backed programme was established on 28 November 2006. Notes issued under the programme have been and will be issued in series (the 'Transaction'). Each series will normally: (a) be issued on a single date; (b) be subject to the terms and conditions of the Notes; and (c) consist of one or more classes (or sub-classes) of Notes. Notes of the same class rank pari passu and pro rata among themselves. Each series of the same class will not, however, be subject to identical terms in all respects (for example, interest rates, interest calculations, expected maturity and final maturity dates may differ).

The Company's obligations to pay principal and interest on the Notes are funded primarily from the payments of principal and interest received by it from Fosse Funding (No.1) Limited under the intercompany loan. The Company's primary asset will be its rights to mortgages under the intercompany loan agreement. Fosse Funding (No.1) Limited uses a portion of the amounts received from its share in the trust property to meet its obligations to pay interest and principal due to the Company under the intercompany loan. Under the documents governing the Transaction, Santander UK Group Holdings plc and its subsidiaries (the 'Group') are not obliged to support any losses that may be suffered by holders of the debt securities in issue.

The loans included within the underlying portfolio include repayment loans and interest only loans with balances of less than £750,000 and having a maturity of no later than October 2054.

The loans within the portfolio are monitored and assessed for impairment on a regular basis at a group level as, under International Financial Reporting Standard (IFRS) 9 – 'Financial Instruments,' the beneficial interest in a mortgage portfolio fails the criteria for recognition within the Company's financial statements as the loans fail derecognition at Santander UK plc level.

The only asset held by the Company that is at risk of material impairment is the loan to Fosse Funding (No.1) Limited, the repayment of which is dependent upon the performance of the residential mortgage portfolio. The risk of impairment is mitigated by the collateral and credit enhancements within the Fosse securitisation structure.

The performance of the mortgage portfolio is continually assessed by Santander UK plc and external credit rating agencies. It follows that the impairment policies of Santander UK plc are applied by the Company.

The performance of the portfolio is in line with the Directors' expectations.

Key performance

The profit after tax for the year ended 31 December 2020 amounted to £0.1m (2019: £2.4m).

During the year the Company received interest income of £23.7m (2019: £13.6m) from Fosse Funding (No.1) Limited and Santander UK plc. The Company used those cash resources to pay interest expense of £23.7m (2019: £13.5m) on debt securities in issue. The Company issued debt securities to the value of £nil during the year (2019: 1,465m) and made no payments of principal (2019: none). The Company received £2.3m (2019: paid £1,469m) from Fosse Funding (No.1) Limited, being repayment of a related party loan. All amounts were paid in full and on time.

The key performance indicators used by management predominantly involve the consideration of whether there have been breaches of the Transaction documents. However there are certain measures (triggers) set out in the Transaction documents which are relevant to the Company including assessing whether all counterparties involved in the Transaction have a rating that remains adequate to support their on-going roles in the programme, and arrears related events. There were no triggers breached in the year (2019: none). As at 1 January 2019, the Company voluntarily de-designated all hedge relationships.

Fair review of the Company's Business

The Santander UK Group Holdings plc and its subsidiaries manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the divisions of Santander UK plc, which include the Company, are discussed in the Group's Annual Report which does not form part of this report.

STRATEGIC REPORT (CONTINUED)

Fair review of the Company's Business (continued)

The purpose of this report is to provide information to the shareholders of the Company and as such it is only addressed to those members. The report may contain certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve inherent risks and uncertainties since future events, circumstances and other factors can cause results and developments to differ materially from the plans, objectives, expectations and intentions expressed in such forward-looking statements. Members should consider this when relying on any forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the Company undertakes no obligation to update any forward-looking statement during the year. Nothing in this report should be construed as a profit forecast.

The Directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both the Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As a result, no deferred tax amounts are recognised.

Section 172(1) statement

As a Special Purpose Vehicle (SPV) the governance structure of the Company is such that the key policies have been predetermined at the time of issuance. The directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

(a) the Transaction documents have been formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company and in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit;
(b) the company has no employees;
(c) the operational roles have been assigned to third parties with their roles strictly governed by the Transaction documents and fee arrangements agreed in advance
(d) as a securitisation vehicle the company has no physical presence or operations and accordingly has minimal impact on the community and the environment;
(e) the operational roles have been assigned to third parties, fee arrangements agreed in advance and supplier invoices paid strictly in accordance with the Transaction documents including a priority of payments, if applicable; and
(f) the Company's members hold the issued shares all held on a discretionary trust basis for the benefit of undisclosed charities.

The Directors consider the ongoing suitability of the governance structure of the Company by reference to the borrowing requirements of Santander UK plc and the performance of its mortgage portfolio and make changes where necessary.

Principal risks and uncertainties facing the Company

The Company's principal risks are credit risk, market risk and liquidity risk.

The Company's principal risks and uncertainties together with the processes that are in place to monitor and mitigate those risks where possible can be found in Note 3.

Likely future developments

The Directors do not expect any significant change in the level of business in the foreseeable future.

Capital management

The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

On behalf of the Board

Helena Whitaker
per pro Intertrust Directors 1 Limited
as Director

1 June 2021

Registered Office Address: 1 Bartholomew Lane, London, EC2N 2AX

REPORT OF THE DIRECTORS

The Directors submit their report together with the Strategic Report and the audited financial statements for the year ended 31 December 2020.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £0.1m (2019: £2.4m). The Directors do not recommend the payment of a final dividend (2019: £nil).

Directors and their interests

The Directors who served throughout the year and to the date of this report are as follows:

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
T Ranger

The Directors, with the exception of T Ranger who is employed by Santander UK plc, are all employees of Intertrust Management Limited.

Intertrust Management Limited is a private limited company and acts as the corporate services provider to the Company.

None of the Directors hold, or have ever held, any beneficial interests in the shares of the Company. No Director had a material interest in any contract of significance with the Company at any time during the year under review or subsequently.

Company secretary

The Company secretary during the year and subsequently was Santander Secretariat Services Limited.

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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

REPORT OF THE DIRECTORS (CONTINUED)

Statement of going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the financial statements. In addition, Notes 3 and 20, to the financial statements include the Company's financial risk management objectives; its exposures to credit risk and liquidity risk; and its policies and processes for managing its capital.

The Directors, having considered the financial position of the Company and the Fosse securitisation structure as a whole, believe that the Company has adequate financial resources. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the period of 12 months from the date the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Annual Report and Financial Statements.

The use of LIBOR, which is expected to cease in 2021, and its transition to (near) Risk Free Reference Rates (RFR) is a significant issue across the industry. The Santander UK group has put in place appropriate plans to address the potential risks and will update and implement in this Company as necessary.

Financial instruments

The Company's financial instruments, other than derivatives, comprise loans and advances to group companies, borrowings, cash and liquid resources, and various items, such as other assets and liabilities that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Company also enters into derivatives transactions (principally cross currency swaps and interest rate swaps). The purpose of such transactions is to manage the currency and interest rate risks arising from the Company's operations and its sources of finance.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are currency risk and interest rate risk. The Company has debt securities in issue denominated in Sterling and US Dollars. The Company's Board reviews and agrees policies for managing these risks. The Company's policy is to eliminate all exposures arising from movements in exchange and interest rates by the use of cross currency swaps or interest rate swaps to hedge payments of interest and principal on the securities as per the requirements of the Transaction documents.

All other assets, liabilities and transactions are denominated in Sterling.

Further disclosures regarding financial risk management objectives and policies and the Company's exposure to principal risks can be found in Note 3.

Qualifying third party indemnities

Enhanced indemnities are provided to certain Directors of the Company by Santander UK plc (where such person has been nominated in writing by Santander UK plc as its representative on the Board) against liabilities and associated costs which they could incur in the course of their duties to the Company. All indemnities remain in force as at the date of the Annual Report and Financial Statements. A copy of each of the indemnities is kept at the registered office address of Santander UK plc.

The Company has made qualifying third party indemnity provisions for the benefit of the Directors as set out in a corporate services agreement. Intertrust Management Limited has made qualifying third party indemnity provisions for the benefit of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited. These indemnity provisions remained in force at the date of the Annual Report and Financial Statements. All of the indemnities remained in force throughout the accounting period and as at the date of the Annual Report and Financial Statements.

Corporate governance

As more fully described in the Section 172(1) statement in the Strategic Report the directors have been charged with governance in accordance with the Transaction documents describing the structure and operation of the transaction.

The Transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued, the Company is largely exempt from the requirements of the Financial Conduct Authority Disclosure and Transparency Rules (DTR) which would otherwise require the Company to have an audit committee in place and include a corporate governance statement in the Report of the Directors. The directors are therefore satisfied that there is no requirement for an audit committee or to publish a corporate governance statement.

REPORT OF THE DIRECTORS (CONTINUED)

COVID-19 and BREXIT

2020 was a demanding year in general with Brexit uncertainty and economic turmoil as a result of the COVID-19 pandemic. The Company continues to monitor the impact of COVID-19 and Brexit on its operations and continues to take a coordinated approach with Group where applicable.

In April 2020, Santander UK plc followed FCA guidance on how they expect mortgage lenders and administrators to treat customers fairly during the Covid-19 pandemic and restructured all its securitisations to accommodate its obligations as servicer under the principles set out in the FCA Handbook and Mortgage Conduct of Business rules.

The granting of payment holidays to any securitised loans results in a corresponding decrease in revenue receipts available to the trust company to distribute to the funding entity on each distribution date. To mitigate the potential impact to the securitisations, the qualifying structured entities were amended to direct a cash payment to the funding entity in an amount equal to the funding entity's share of the aggregate amount of the interest that would have been due on any loans which are the subject of a payment holiday. To effect such cash payment, Santander UK plc’s share of revenue receipts is reduced by such amount and the funding entity's share of revenue receipts increased accordingly, making the impact neutral to the securitisation.

Streamlined Energy and Carbon Reporting (SECR)

The Company is out of scope of the Streamlined Energy and Carbon Reporting (SECR), as it does not meet the numerical thresholds in relation to turnover and number of employees.

Statement of disclosure of information to independent auditors

Each of the Directors as at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Likely future developments

Details of likely future developments are disclosed in the Strategic Report.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the Company’s forthcoming Annual General Meeting.

On behalf of the Board

Helena Whitaker
per pro Intertrust Directors 1 Limited
as Director
1 June 2021
Registered Office Address: 1 Bartholomew Lane, London, EC2N 2AX

Independent auditors' report to the members of Fosse Master Issuer Plc

Report on the audit of the financial statements

Opinion

In our opinion, Fosse Master Issuer Plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2020; the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

We have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- The Company is a special purpose vehicle that forms part of a securitisation structure to issue residential mortgage backed debt securities, established primarily as a means of creating collateral to be used for funding and liquidity by Santander UK plc. The Company's operations are governed by underlying legal and transaction documents (the "Transaction documents").
- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the annual report and financial statements, ensuring audit procedures were performed in respect of every material financial statements line item.
- In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us taking into account the accounting processes and controls in place at Santander UK plc as the parent undertaking.
- We obtained an understanding of the control environment in place at Santander UK plc and adopted a controls and substantive testing approach.

Key audit matters

- Risk of error in the priority of payments.
- Impact of COVID-19.

Independent auditors' report to the members of Fosse Master Issuer Plc (continued)

Materiality

- Overall materiality: £16,927,000 (2019: £17,005,000) based on 1% of total assets.
- Performance materiality: £12,695,000.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Risk of error in the priority of payments. The priority of payments (the "waterfall") is key to ensuring that expenses, interest and principal repayments on the notes in issue are being paid from the interest and principal collections, in the appropriate order on each payment date. The revenue and principal priority of payments are outlined in the Transaction documents. The Transaction documents also include triggers and trigger events, the breach or occurrence of which may affect the waterfall and therefore the financial statements. Related disclosures in the financial statements: Note 1 Accounting policies Note 5 Interest and similar income Note 6 Interest expense and similar charges Note 13 Loans and advances to group companies Note 16 Debt securities in issue	The following work was undertaken by us as part of the audit: ● We understood the design of the structure through a combination of inquiry with management and reviewing the Transaction documents to understand the revenues and principal priority of payments and understanding the relevant trigger events for the Company. ● We read the investor reports and minutes of the meetings of the Board of Directors during the year and up to the signing of the financial statements to identify and investigate any unusual trends or incidents that would indicate a misstatement in the preparation or calculation of the waterfalls. ● We tested on a sample basis that the priority of payments applied was in line with the Transaction documents and the occurrence of any trigger breaches or trigger events per the Transaction documents and any impact on the waterfall and financial statements. We tested payments in the waterfall including expenses, interest and principal payments on notes and notes outstanding at the year-end by agreeing transactions to the internal cash account records. ● We recalculated the interest expense using interest rates set out in the Transaction documents and, where applicable, independently sourced reference interest rates. We found no material exceptions in performing these tests.

Independent auditors' report to the members of Fosse Master Issuer Plc (continued)

Impact of COVID-19.	
During the financial year, there has been a global pandemic following the outbreak of coronavirus (Covid-19). The potential financial and social impact of Covid-19 has been significant and has caused widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. In response, the UK and other governments, and the Bank of England, introduced various measures designed to ameliorate resulting adverse impacts on the economy. Related disclosures in the annual report and financial statements: Directors' Report Strategic Report Note 1 - Accounting policies – Going concern	In response to this key audit matter, we critically assessed the areas in which Covid-19 had a significant impact on our audit. In particular: ● As part of our planning, we assessed the impact of the disruption caused by Covid-19 on the risk of material misstatement. We concluded that no significant changes to our plan would be required during the audit; ● We reviewed the underlying transaction documents and investor reports and discussed the impact of the pandemic with the Directors, which included understanding the impact of the transition of employees to working remotely on the control environment relevant to financial reporting; ● We inspected the post period end investor reports for pertinent changes in cash flows. ● We confirmed the year end cash balances. ● We checked the consistency of relevant "other information" with the financial statements, our knowledge based on the audit, and our procedures above. We found no material exceptions in performing these tests. We also made enquiries of management to understand the effect of Covid-19 on the Company's financial performance and business operations. As a result of these procedures, we concluded that the impact of Covid-19 as it relates to the going concern assumption has been appropriately evaluated and reflected in the preparation of the financial statements. We discuss our conclusions related to going concern, including the effect of Covid-19, later in our report. We adapted our own working practices to remote working and ensured we gathered appropriate audit evidence. The information and audit evidence we need for our audit was provided in electronic format. Based on the work performed, we are satisfied that our audit addressed the impact of any disruption caused by Covid-19. We have also concluded that the impact of Covid-19 has been appropriately evaluated and reflected in the preparation of the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of the significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Materiality

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

Independent auditors' report to the members of Fosse Master Issuer Plc (continued)

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

Overall company materiality	£16,927,000 (2019: £17,005,000).
How we determined it	1% of total assets
Rationale for benchmark applied	The Company is a not for profit entity, whose main priority is to remit the cash received in respect of its assets so as to repay its liabilities. As such total assets is considered an appropriate benchmark. Where total assets is used, if the company is a public interest entity, a rule of thumb of up to 1% can be applied. Due to the fact the entity has listed debt we consider this to be a public interest entity and have therefore applied 1%.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £12,695,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Directors that we would report to them misstatements identified during our audit above £846,000 (2019: £850,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- An assessment to identify factors that could impact the going concern basis of accounting, including the key terms of the transaction as set out in the Transaction documents, such as what constitutes an event of default;
- Reviewing the appropriateness of the disclosures in the financial statements; and
- Reviewing the impact of COVID-19 as detailed in the Key Audit Matter above.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Fosse Master Issuer Plc (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Transaction documents, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Making inquiries with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;

Independent auditors' report to the members of Fosse Master Issuer Plc (continued)

- Evaluating the business rationale for any significant transactions that are unusual or outside the scope of Transaction documents;
- Testing journal entries to supporting documentation using risk-based criteria, and;
- Testing, on a sample basis, that the priority of payments has been applied in accordance with the Transaction documents as detailed in the key audit matter below.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the Directors on 30 June 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2016 to 31 December 2020.

Jessica Miller

Jessica Miller (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 June 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

Continuing operations	Note	2020 £000	2019 £000
Interest and similar income	5	23,712	13,631
Interest expense and similar charges	6	(23,677)	(13,469)
Net interest income		35	162
Net other operating income	7	421	2,494
Administrative expenses	8	(387)	(213)
Profit before tax	9	69	2,443
Tax charge on profit for the year	10	(1)	(1)
Profit for the year		68	2,442
Other comprehensive income		-	-
Total net comprehensive income for the year		68	2,442

The accompanying Notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Share capital £000	Retained earnings £000	Total equity £000
As at 1 January 2019	13	1,874	1,887
Total comprehensive income for the year	-	2,442	2,442
As at 31 December 2019 and 1 January 2020	13	4,316	4,329
Total comprehensive income for the year	-	68	68
At 31 December 2020	13	4,384	4,397

The accompanying Notes form an integral part of the financial statements.

BALANCE SHEET

As at 31 December

	Notes	2020 £000	2019 £000
Non-current assets			
Loans and advances to group companies	13	1,659,645	1,659,644
Other assets	15	816	1,052
Derivative financial instruments – assets	11 & 12	28,703	33,593
Total non-current assets		1,689,164	1,694,289
Current assets			
Loans and advances to group companies	13	3,182	5,495
Other assets	15	235	233
Cash and cash equivalents	14	155	511
Total current assets		3,572	6,239
Total assets		1,692,736	1,700,528
Current liabilities			
Corporation tax	10	(1)	(1)
Other liabilities	17	(6,248)	(8,530)
Total current liabilities		(6,249)	(8,531)
Net current liabilities		(2,677)	(2,292)
Non-current liabilities			
Debt securities in issue	16	(1,682,087)	(1,687,668)
Derivative financial instruments liabilities	12	(3)	-
Total non-current liabilities		(1,682,090)	(1,687,668)
Net assets		4,397	4,329
Equity			
Share capital	18	13	13
Retained earnings		4,384	4,316
Total equity		4,397	4,329

The accompanying Notes form an integral part of the financial statements.

The financial statements on pages 12 to 29 were approved by the Board of Directors, and signed on its behalf by:

Helena Whitaker
Per pro Intertrust Directors 1 Limited

As Director

1 June 2021

CASH FLOW STATEMENT

For the year ended 31 December

	Note	2020 £000	2019 £000
Profit before tax		69	2,443
Cash flows from operating activities			
Adjustments for:			
Gains on foreign exchange on retranslation of debt securities in issue		(5,855)	(7,284)
Loss on hedged items attributable to hedged risks		274	261
Change in operating assets		5,124	3,355
Change in operating liabilities		(2,279)	4,661
Corporation taxes paid		(1)	(1)
Net cash (used in)/ generated from operating activities		(2,668)	3,435
Investing activities			
Loan advances to group companies		-	(1,468,547)
Loan repayments from group companies		2,312	-
Net cash flow generated from/ (used by) investing activities		2,312	(1,468,547)
Financing activities			
New issuances of debt securities		-	1,465,487
Net cash flow generated by financing activities		-	1,465,487
Net (decrease)/ increase in cash and cash equivalents		(356)	375
Cash and cash equivalents at beginning of year		511	136
Cash and cash equivalents at end of year	14	155	511

The accompanying Notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the presentation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

General information

The Company is a limited liability company which is limited by shares, domiciled and incorporated in the United Kingdom and is part of a European listed group whose ultimate parent is Banco Santander SA. The registered office address of the Company is 1 Bartholomew Lane, London, EC2N 2AX.

Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The functional and presentation currency of the Company is sterling.

The financial statements have been prepared under the historical cost convention as modified by financial assets and financial liabilities held at fair value through profit or loss, and on a going concern basis as disclosed in the Directors' statement of going concern set out in the Report of the Directors. An assessment of the appropriateness of the adoption of the going concern basis of accounting is disclosed in the statement of going concern set out in the Report of the Directors.

Recent accounting developments

Interest Rate Benchmark Reform

In September 2019, the IASB issued "Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS.7". The IAS 39 amendments apply to all hedging relationships directly affected by uncertainties related to interbank offered rate (IBOR) reform and must be applied for annual periods beginning on or after 1 January 2020.

In August 2020, the IASB issued "Interest Rate Benchmark Reform – Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16". These amendments apply only to changes required by IBOR reform to financial instruments and hedging relationships. The amendments are effective from 1 January 2021 and must be applied retrospectively without restating comparative information. Following their endorsement for use in the European Union and the UK, the Santander UK group, (comprising Santander UK plc and its subsidiaries) of which this Company is a part, has elected to apply the amendments in the preparation of these financial statements. The amendments address the accounting issues for financial instruments when IBOR reform is implemented including providing a practical expedient for changes to contractual cash flows, giving relief from specific hedge accounting requirements, and specifying a number of additional disclosures to enable users of financial statements to understand the effect of IBOR reform on an entity's financial instruments and risk management strategy.

As the Company has no IAS 39 compliant hedge accounting relationships, the Phase 1 amendments and the amendments relating to hedge accounting in Phase 2 do not apply.

The IBOR transition and risk exposure affected by IBOR reform for the Santander UK group are managed at a group level. Details of the extent of risk exposure that is affected by IBOR reform, and how Santander UK group's transition to alternative benchmark interest rates is being managed are disclosed in the Risk review in the Santander UK group's 2020 Annual Report and Accounts which does not form part of this Report.

The Phase 2 amendments apply only to changes required by IBOR reform to financial instruments and, where applicable, hedging relationships. Changes are directly required by IBOR reform if, and only if, the change is necessary as a direct consequent of interest rate benchmark reform, and the new basis for determining the contractual cash flow is economically equivalent to the previous basis.
The Company has no IAS 39 compliant hedge accounting relationships so the amendments relating to hedge accounting do not apply.

Practical expedient for changes to contractual cash flows

For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows by updating the effective interest rate using the guidance in IFRS 9 resulting in no immediate gain or loss being recognised, provided that, the change is directly required by IBOR reform and takes place on an economically equivalent basis. Instruments referencing LIBOR or other IBORs will transition to alternative benchmark interest rates during 2021. Consequently, the application of the practical expedient has had no material impact for the Company for the year ended 31 December 2020.

At 31 December 2020, the amounts affected by IBOR reform that have yet to transition to an alternative benchmark interest rate are as follows:

Loans and advances to Group companies of £1,163m as disclosed in Note 13.

Debt Security Issue 2011 Class Z Floating Rate Notes 2054, with book value of £33,898,000, as disclosed in Note 16.

Further details of the extent of risk exposure that is affected by IBOR reform and how Santander UK's transition to alternative benchmark interest rates is being managed, are disclosed in the Banking market risk section of the Risk review in the Santander UK group's 2020 Annual Report and Accounts which does not form part of this Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES (CONTINUED)

Future accounting developments

At 31 December 2020, for the Company, there were no significant new or revised standard and interpretations, and amendments thereto, which have been issued but which are not yet effective or which have otherwise not been early adopted where permitted.

Foreign currency translation

Items included in the financial statements of the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company (the 'functional currency'). The functional and presentation currency of the Company is Sterling.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency of the Company at the rates in effect at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Foreign currency translation differences are recognised in profit and loss in the Statement of Comprehensive Income.

Interest income and expense

Interest income on financial assets that are classified as financial assets at amortised cost and interest expense on financial liabilities other than those at fair value through profit and loss are determined using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument excluding future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of the financial instrument and all other premiums or discounts.

Interest income and expense is shown gross in profit and loss in the Statement of Comprehensive Income.

Financial Instruments

Financial instruments of the Company comprise loans and advances to group companies, derivative financial instruments, debt securities in issue, cash and cash equivalents and other receivables and payables arising from the Company's operations. These instruments are recognised, classified and subsequently measured in accordance with IFRS 9 as described below.

a) Initial recognition and measurement

Financial assets and liabilities are initially recognised when the Company becomes a party to the contractual terms of the instrument. The Company determines the classification of its financial assets and liabilities at initial recognition and measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit and loss ('FVTPL'), Transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost.

b) Financial assets and liabilities

Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

Financial assets and financial liabilities which are required to be held at FVTPL include:

- Financial assets and financial liabilities held for trading
- Debt instruments that do not have solely payments of principal and interest (SPPI) characteristics. Otherwise, such instruments are measured at amortised cost.

Financial assets and financial liabilities are classified as held for trading if they are derivatives or if they are acquired or incurred principally for the purpose of selling or repurchasing in the near-term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.

In certain circumstances other financial assets and financial liabilities are designated at FVTPL where this results in more relevant information. This may arise because it significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on a different basis, where the assets and liabilities are managed and their performance evaluated on a fair value basis or, in the case of financial liabilities, where it contains one or more embedded derivatives which are not closely related to the host contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. ACCOUNTING POLICIES (CONTINUED)

Financial assets: debt instruments

Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset, and the cash flow characteristics of the asset.

Business model
The business model reflects how the Company manages the assets in order to generate cash flows and, specifically, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable, such as where the financial assets are held for trading purposes, then the financial assets are classified as part of an 'other' business model and measured at FVTPL. Factors considered in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel and how risks are assessed and managed.

SPPI
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the assets' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Based on these factors, the Company classifies its debt instruments into one of the following measurement categories:

– Amortised cost – Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL recognised. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method. When the estimates of future cash flows are revised, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement.

– FVTPL – Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL, including any debt instruments designated at fair value, is recognised in profit or loss and presented in the income statement in 'Other gains/losses' in the period in which it arises.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Impairment of debt instrument financial assets

Expected credit losses are recognized on all financial assets at amortised cost or at fair value through other comprehensive income. The expected credit loss considers forward looking information to recognise impairment allowances earlier in the lifecycle of a product. A three-stage approach to impairment measurement is adopted as follows:

- Stage 1 - the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
- Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired.

The measurement of ECL reflects:

– An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
– The time value of money; and
– Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Loans and advances to group companies represent a loan to Fosse Funding (No. 1) Limited, the repayment of which is dependent upon the performance of the underlying residential mortgage portfolio. At each balance sheet date an assessment is made as to whether, as a result of one or more events, there is a significant increase in credit risk since initial recognition. In assessing the loans and advances to group companies for impairment, the Directors first consider the impairment of the underlying mortgage loans using the above 3 stage approach and consider the ECL of the loans and advances to group companies taking into account the relevant credit enhancements available for the Company in the structure. Accordingly expected losses for loans and advances to group companies are immaterial and are only likely to be material if the ECL on the underlying assets exceeded the available credit enhancements.

Financial assets are written off when it is reasonably certain that receivables are irrecoverable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Debt securities in issue

Debt securities in issue are initially recognised at fair value plus transaction costs that are incremental and directly attributable to the issue. Subsequent to initial recognition, debt securities in issue are stated at amortised cost with any difference between cost and redemption value recognised in the statement of comprehensive income over the period of the borrowings on an effective interest rate basis.

Loans and advances to group companies

Loans and advances to group companies are debt instrument financial assets measured at amortised cost. The Directors consider that the relevant business model for the loans and advances to group companies to be 'hold to collect' in order to service the Company's liabilities. The Directors assessed that the contractual cash flows under the intercompany loan agreement represent SPPI.

Derivative financial instruments

Derivative financial instruments ('derivatives') are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date.

The Company holds cross currency swaps in order to manage foreign currency risk arising on the foreign denominated debt securities in issue. The Company also holds interest rate swaps to hedge significant future transactions and cash flows dependent on movement in interest rates.

Derivatives are recognised initially (on the date on which a derivative contract is entered into), and are subsequently remeasured, at their fair value. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow and option pricing models. The Company holds no exchange traded derivatives.

Derivative financial instruments (continued)

Derivatives are contracted with Santander UK plc or counterparties that meet standards set out in the relevant Prospectus. If subsequently there is a ratings downgrade of the counterparty credit rating, remedial measures include provision of collateral for obligations under the relevant swap.

Income taxes

The Directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both the Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As a result, no deferred tax amounts are recognised.

Under the powers conferred by the Act, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement.

Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise assets with less than three months' maturity from the date of acquisition, including cash, restricted balances and non restricted balances with central banks, loans and advances to banks and amounts due from other banks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF SIGNIFICANT MANAGEMENT JUDGEMENT

There were no critical accounting judgements applied by management during the year.

The preparation of the Company's financial statements requires management to make judgements and accounting estimates that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its judgements and accounting estimates, which are based on historical experience and on other factors that are believed to be reasonable under the circumstances, on an on-going basis. Actual results may differ from these estimates under different assumptions or conditions.

The following accounting estimates and judgements are considered important to the portrayal of the Company's financial results and financial condition because: (i) they are highly susceptible to change from period to period as assumptions are made to calculate the estimates, and (ii) any significant difference between the estimated amounts and actual amounts could have a material impact on the Company's future financial results and financial condition:

Impairment of Loans and advances to group companies

As described under the 'Impairment of debt instrument financial assets' above, the repayment of the loans and advances to group companies is dependent on the performance of the underlying residential mortgage portfolio. At each balance sheet date an assessment is made as to whether, as a result of one or more events, there is a significant increase in credit risk since initial recognition. In assessing the loans and advances to group companies for impairment, the Directors first consider the impairment of the underlying mortgage loans using the above 3 stage approach and consider the ECL of the loans and advances to group companies taking into account the relevant credit enhancements available for the Company in the structure. Accordingly expected losses for loans and advances to group companies are immaterial and are only likely to be material if the ECL on the underlying assets exceeded the available credit enhancements.

3. RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK

The Company's risk management focuses on the major areas of credit risk, market risk and liquidity risk. Risk management is carried out by the central risk management function of the Santander UK group. Authority flows from the Santander UK plc Board to the Chief Executive Officer and from him to his direct reports. Delegation of authority is to individuals. Formal standing committees are maintained for effective management of oversight.

Credit risk

Credit risk is the risk that counterparties will not meet their financial obligations and may result in the Company losing the principal amount lent, the interest accrued and any unrealised gains, less any security held. The main source of credit risk is in the loans and advances to group companies and derivative financial instruments assets.

Key metrics under IFRS 9 are as follows:

Metric	Description
Expected credit losses (ECL)	ECL tells us what credit risk is likely to cost us either over the next 12 months on qualifying exposures, or defaults over the lifetime of the exposure where there is evidence of a significant increase in credit risk (SICR) since origination. We explain how we calculate ECL below.
Stages 1, 2 and 3	We assess each facility's credit risk profile to determine which stage to allocate them to, and we monitor where there is a SICR and transfers between the stages. We explain how we allocate a facility to Stage 1, 2 or 3 below.
Significant increase in credit risk (SICR)	Loans which have suffered a SICR since origination are subject to a lifetime ECL assessment which extends to a maximum of the contractual maturity of the loan. Loans which have not experienced a SICR are subject to 12 month ECL. We assess each facility's credit risk profile to determine which of three stages to allocate them to, see the company's accounting policies on Note 1.

The maximum exposure to credit risk without taking into account collateral or credit enhancements is the carrying amount of the loans and other debts due from members of £1,662.8m (2019: £1,665.2m) and the fair value of derivative financial assets of £28.7m (2019: £33.6m).

At the balance sheet date no ECL allowance was recognised on all financial assets subject to credit risk due to the credit enhancement features applied by the Company.

As at 31 December 2020, the book value of residential mortgage loans that Santander UK plc had assigned legal title to the Fosse securitisation structure was £2.3bn (2019: £3.7bn). The Fosse securitisation structure acquired interest in a portfolio of mortgage loans (Funder share) was £1.7bn (2019: £1.7bn) and the Santander UK plc seller share was £0.6bn (2019: £2.0bn). The seller share does not provide credit enhancement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (CONTINUED)

Credit risk (continued)

Loans advances to Fosse Funding (No.1) Limited can only be paid if the Company receives cash from mortgages advanced by Santander UK plc. This risk is mitigated as the securitisation structure is over collateralised and impairment risk is low. There is limited recourse under the loans as the Company only pays loan Notes to the extent that it has available cash.

The Fosse securitisation structure has cash balances and reserves of £0.2bn (2019: £0.2bn) which also acts as a credit enhancement feature. Cash balances are held with Santander UK plc under a Guaranteed Investment Contract and are classified as restricted funds, as withdrawals are restricted by a priority of payments in accordance with the terms of the securitisation structure.

Derivatives are contracted with Santander UK plc or counterparties that meet standards set out in the relevant Transaction documents. If subsequently there is a ratings downgrade of the counterparty credit rating, remedial measures include provision of collateral for obligations under the relevant swap.

The loans within the portfolio are monitored and assessed for impairment on a regular basis at a group level. The impairment policy applied by Santander UK plc is equivalent to the impairment of financial assets policy of the Company.

Santander UK plc is rated periodically by credit rating agencies Standard & Poor's, Moody's Investors Service and Fitch Ratings, Ltd.

Santander UK plc's credit ratings are disclosed below as the financial assets of the Fosse securitisation structure are secured on mortgage assets within Santander UK plc. Further details can be found in the Notes to the Group financial statements of Santander UK plc's Annual Report and Financial Statements and monthly investor reports of Fosse Master Trust.

Santander UK plc's current credit ratings were:

	S & P	Moody's	Fitch
Long-term rating	A	A1	A+
Long-term rating outlook	Negative	Stable	Negative
Short term rating	A-1	P-1	F1

Liquidity risk

Liquidity risk is the potential that, although remaining solvent, the Company does not have sufficient liquid financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost.

Liquidity is managed by the Company by matching the terms of the financial instruments so that cash inflows meet cash outflows. The receipts from the related party loan asset and the payments in respect of the derivative financial instruments described in the Annual Report and Financial Statements are matched. The receipts from the derivative financial instruments and the payments required in respect of the debt securities in issue described above are also matched.

Market risk

Market risk is the potential for loss of income or decrease in the value of net assets caused by movements in the levels and prices of financial instruments. The Company is subject to market risk in the form of interest rate risk and currency risks from the fluctuations in the US Dollar.

Where the Company has issued currency denominated Notes, the Company enters into cross currency swaps to hedge its exposure to foreign exchange and interest rate risk. As a result of this, the Company's total interest income and expense on financial assets and liabilities is hedged to sterling LIBOR and SONIA. The Company therefore has no material cash flow sensitivity to changes in currency rates. In previous years, the USD-GBP cross currency swap was designated as a fair value hedge against the 2011 Series 2 Class A5 Fixed Rate Notes to mitigate sensitivity to foreign exchange and interest rate movements. As at 1 January 2019, the Company voluntarily de-designated the fair value hedge of the 2011 Series 2 Class A5 Fixed Rate Notes.

The Company also enters into interest rate swap contracts with Santander UK plc, a related party, and counterparties that meet Group credit policies to manage basis risk between interest flows on the cross currency swaps and on interest payments received from Santander UK plc.

A 50bp adverse or positive movement in interest rates would have an immaterial impact on profit for the year and on net liabilities.

During the year, the Company incurred gains on derivative financial instruments and translation gains of £0.4m (2019: gains of £2.5m). This volatility is expected to even out over the long term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3. RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (CONTINUED)

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes regulatory, legal and compliance risk. Operational risk is monitored and managed within the Group. An independent central operational risk function has responsibility for establishing the framework within which these risks are managed and is aligned to operational risk professionals within business areas to ensure consistent approaches are applied across the Group. The primary purpose of the framework is to define and articulate the Group-wide policy, processes, roles and responsibilities.

The day-to-day management of operational risk is the responsibility of business managers who identify, assess and monitor the risks, in line with the processes described in the framework. The operational risk function ensures that all key risks are regularly reported to the Group's risk committee and board of directors.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

All of the Company's income is derived from activities in the same business and geographical segment, within the UK.

5. INTEREST AND SIMILAR INCOME

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest income from Fosse Funding (No.1) Limited	19,153	9,699
Other interest income	-	2
Derivative interest income	4,559	3,930
	23,712	13,631

6. INTEREST EXPENSE AND SIMILAR CHARGES

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Interest expense on debt securities in issue	23,677	13,469
	23,677	13,469

7. NET OTHER OPERATING INCOME

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Fair value hedging:		
- Amortisation of de-designated hedges	(274)	(261)
Fair value losses on derivative financial instruments	(5,160)	(4,529)
Gains on foreign exchange on retranslation of debt securities in issue	5,855	7,284
	421	2,494

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

7. NET OTHER OPERATING INCOME (CONTINUED)

The Company hedges its exposures to various risks, including interest rate risk and foreign currency risk, in connection with the Company's operations and its sources of finance.

Until 31 December 2018 the Company applied fair value hedge accounting with regards to the interest rate risk and foreign currency risk of class A5 of series 2011-2 fixed rate USD Notes (refer to Note 16 for details). As at 1 January 2019 the fair value hedge was de-designated with the fair value hedge adjustment being amortised over the remaining life of the hedged item on an effective yield basis. During 2019 the loss on hedged items attributable to hedged risks is the amortisation of discontinued hedges.

In line with the Transaction documents, swaps are also in place to economically hedge fair value or interest rate risk on the remaining fixed rate or foreign currency Notes and fair value movements of those swaps are accounted in Profit and Loss within the Statement of Comprehensive income.

The gains or losses arising on these assets and liabilities are presented in the table above on a combined basis.

8. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Administration fees and bank charges	387	213
	387	213

9. PROFIT BEFORE TAX

Directors' emoluments

The Directors' services to the Company are an incidental part of their duties. No Directors were remunerated for their services to the Company. Directors' emoluments are borne by Santander UK plc and corporate service fees, which include the provision of Directors, are borne by Fosse Funding (No.1) Limited. No emoluments were paid by the Company to Directors during the year (2019: £nil).

Staff costs

The Company has no employees in the current or prior financial year.

Auditors' remuneration

The audit fee for the current and prior years have been paid by the Company. The audit fee for the current year is £22,660 (2019: £22,000).

No non-audit fees were charged to the Company during the year (2019: £18,000).

10. TAX CHARGE ON PROFIT FOR THE YEAR

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Current tax:		
UK corporation tax on profit for the year	1	1
Tax charge on profit for the year	1	1

For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the 'Taxation of Securitisation Companies Regulations (SI 2006/3296)'. Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the transaction.

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profits for the year.

The Finance Act 2016 introduced a reduction in the corporation tax rate to 17% from 1 April 2020. However, this rate deduction was reversed in the UK Budget in March 2020.

The UK government announced in it's budget on 3 March 2021 that it would increase the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. Since the proposed change was not substantively enacted by the balance sheet date, the effect has not been reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

10. TAX CHARGE ON PROFIT FOR THE YEAR (CONTINUED)

The tax on the Company's profit before tax differs (2019: differs) from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Profit before tax	69	2,443
Tax calculated at a rate of 19.00% (2019: 19.00%)	13	464
Non-taxable income	(12)	(463)
Tax charge on profit for the year	1	1

11. DERIVATIVE FINANCIAL INSTRUMENTS - ASSETS

The Company obtains funding in international markets including issuing fixed rate debt in USD. Therefore, it is exposed to changes in fair value due to changes in market interest rates in USD and/or foreign exchange rates, which is mitigated through the use of fixed versus floating rate cross currency swaps.

As at 1 January 2019, the Company voluntarily de-designated all hedge relationships whereby the cumulative adjustment that had been made to the carrying amount of the hedged item is amortised to the profit and loss of the Statement of Comprehensive Income using the effective interest method over the period to maturity.

Hedged exposure
The following table sets out the exposures covered by the Company's hedging strategies, in connection with the debt securities in issue:

Risk	Hedged item balance sheet line	Carrying value	Accumulated amount of FV hedge adjustments on hedged item in carrying value of hedged item	Change in value used for calculating hedge ineffectiveness	Accumulated amount of FV hedge adjustments on balance sheet for discontinued hedges
2020		£000	£000	£000	£000
Interest rate / foreign currency exchange rate risk	Debt securities in issue	280	280	280	(274)
2019		£000	£000	£000	£000
Interest rate / foreign currency exchange rate risk	Debt securities in issue	191,923	554	554	(261)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables summarise the fair values of the financial asset and liability classes accounted for at fair value at 31 December 2020 and 2019, analysed by the valuation methodology used by the Company to determine their fair value, including their levels in the fair value hierarchy – level 1, level 2 and level 3.

31 December 2020		Internal models based on								
Balance Sheet category		Level 1 £000	%	Level 2 £000	%	Level 3 £000	%	Total £000	%	Valuation Technique
Assets										
Derivative assets	Cross currency swaps	-	-	28,703	100	-	-	28,703	100	
Total assets at fair value		-	-	28,703	100	-	-	28,703	100	A
Liabilities										
Derivative liabilities	Cross currency swaps	-	-	(3)	100	-	-	(3)	100	
Total liabilities at fair value		-	-	(3)	100	-	-	(3)	100	A

31 December 2019		Internal models based on								
Balance Sheet category		Level 1 £000	%	Level 2 £000	%	Level 3 £000	%	Total £000	%	Valuation Technique
Assets										
Derivative assets	Cross currency swaps	-	-	33,593	100	-	-	33,593	100	
Total assets at fair value		-	-	33,593	100	-	-	33,593	100	A

During the year ended 31 December 2020 and 2019 there were no transfers of financial instruments between levels.

The main valuation techniques employed in the Company's internal models to measure the fair value of the financial instruments are set out below.

Valuation of financial instruments

Financial instruments that are classified or designated at fair value through profit or loss and all derivatives are stated at fair value. The fair value of such financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Changes in the valuation of such financial instruments, including derivatives, are included in the line item 'Net other operating income' in the Statement of Comprehensive Income.

(i) Initial measurement
The best evidence of the fair value of a financial instrument at initial recognition is the Transaction price unless the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include significant data from observable markets. Any difference between the Transaction price and the value based on a valuation technique where the inputs are not based on data from observable current markets is not recognised in profit and loss in the Statement of Comprehensive Income on initial recognition. Subsequent gains and losses are only recognised to the extent that they arise from a change in a factor that market participants would consider in setting a price.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Subsequent measurement
The Company applies the following fair value hierarchy that prioritises the inputs to valuation techniques used in measuring fair value. The hierarchy establishes three categories for valuing financial instruments, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three categories are: quoted prices in active markets (Level 1), internal models based on observable market data (Level 2) and internal models based on other than observable market data (Level 3). If the inputs used to measure an asset or a liability fall to different levels within the hierarchy, the classification of the entire asset or liability will be based on the lowest level input that is significant to the overall fair value measurement of the asset or liability.

The Company categorises assets and liabilities measured at fair value within the fair value hierarchy based on the inputs to the valuation techniques as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in an active market that the Company has the ability to access at the measurement date. The Company has no assets or liabilities measured at fair value that are classified as Level 1.

Level 2: Quoted prices in non-active markets, quoted prices for similar assets or liabilities, recent market transactions, inputs other than quoted market prices for the asset or liability that are observable either directly or indirectly for substantially the full term, and inputs to valuation techniques that are derived principally from or corroborated by observable market data through correlation or other statistical means for substantially the full term of the asset or liability. Level 2 positions include exchange rate derivatives and interest rate derivatives.

Level 3: Inputs to the pricing or valuation techniques that are significant to the overall fair value measurement of the asset or liability are unobservable. The Company has no assets or liabilities measured at fair value that are classified as Level 3.

Financial instruments valued using a valuation technique
In the absence of a quoted market price in an active market, management uses internal models to make its best estimate of the price that the market would set for that financial instrument. In order to make these estimations, various techniques are employed, including extrapolation from observable market data and observation of similar financial instruments with similar characteristics. Wherever possible, valuation parameters for each product are based on prices directly observable in active markets or that can be derived from directly observable market prices. Chosen valuation techniques incorporate all the factors that market participants would take into account in pricing transactions.

The Company did not make any material changes to the valuation techniques and internal models it used during the year ended 31 December 2020.

Valuation techniques
The main valuation techniques employed in the Company's internal models to measure the fair value of the financial instruments disclosed above at 31 December 2020 and 2019 are set out below. In substantially all cases, the principal inputs into these models are derived from observable market data. The Company did not make any material changes to the valuation techniques and internal models it used during the years ended 31 December 2020 and 2019.

A In the valuation of interest rate and exchange rate derivatives, the 'present value' method is used. Expected future cash flows are discounted using the interest rate curves of the applicable currencies. The interest rate curves are generally observable market data and reference yield curves derived from quoted interest rates in appropriate time bandings, which match the timings of the cash flows and maturities of the instruments.

Internal models based on observable market data - derivative assets and liabilities
These instruments consist of exchange rate contracts and interest rate contracts. The models used in estimating the fair value of these derivatives do not contain a high level of subjectivity as the methodologies used in the models do not require significant judgement, and the inputs used in the models are observable market data such as plain vanilla interest rate swaps and option contracts. As the inputs used in the valuation are based on observable market data, these derivatives are classified within level 2 of the valuation hierarchy.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

13. LOANS AND ADVANCES TO GROUP COMPANIES

	2020 £000	2019 £000
Repayable from Fosse Funding (No.1) Limited:		
Within one year	3,182	5,495
After five years	1,659,645	1,659,644
	1,662,827	1,665,139

Mortgage Loans underlying the Loans and advances to group companies are amortising however the repayments are not contractually certain. The maturity profile of loans and advances to group undertakings is matched to the maturity profile of the debt securities in issue.

The loans are all denominated in Sterling and are subject to variable rates of interest, based on LIBOR for three-month sterling deposits. The carrying amount of loans and advances to group companies approximates to their fair value.

14. CASH AND CASH EQUIVALENTS

	2020 £000	2019 £000
Deposits with group undertakings	155	511
	155	511

Cash and cash equivalent balances due from Santander UK plc, a related party was £0.155m (2019: £0.511m).

All cash balances held with Santander UK plc are held under a Guaranteed Investment Contract and are classified as restricted funds, as withdrawals are restricted by a priority of payments in accordance with the terms of the securitisation structure.

15. OTHER ASSETS

	2020 £000	2019 £000
Deferred start up costs	1,051	1,285
	1,051	1,285

The carrying amount of other assets approximates to their fair value. Deferred startup costs due after one year at 31 December 2020 amount to £0.82m. (2019: £1.05m).

16. DEBT SECURITIES IN ISSUE

Residential mortgage backed Notes	2020 £000	2019 £000
These borrowings are repayable as follows:		
Greater than five years	1,682,087	1,687,668
	1,682,087	1,687,668

The classification of the debt securities in issue is in line with the legal maturity dates of the Notes however actual redemptions are likely to be made according to the scheduled amortisation as per the Transaction Documents.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16. DEBT SECURITIES IN ISSUE (CONTINUED)

The tables below disclose the list of debt securities in issue.

Issues: 2011	Currency	2020 £000	2020 Issued currency 000	2019 £000	2019 Issued currency 000
Class A5 Fixed Rate Notes 2054*	USD	182,729	250,000	188,310	250,000
Class Z Floating Rate Notes 2054	GBP	33,898	33,898	33,898	33,898
		216,627		222,208	

Issues: 2019	Currency	2020 £000	2020 Issued currency 000	2019 £000	2019 Issued currency 000
Class A1 Floating Rate Notes 2054	GBP	750,000	750,000	750,000	750,000
Class A2 Floating Rate Notes 2054	GBP	500,000	500,000	500,000	500,000
Class Z Floating Rate Notes 2054	GBP	215,460	215,460	215,460	215,460
		1,465,460		1,465,460	
Total		1,682,087		1,687,668	

The debt securities issued on 15 October 2019 pay interest based on compounded daily Sterling Over Night Index Average (SONIA). All other debt securities in issue use LIBOR.

(*) Included in the carrying amount of debt securities in issue above is the following debt security in issue which was in a fair value hedging relationship until 31 December 2018. The unamortised fair value hedge accounting adjustment arising for the debt security in issue is:

	2020 £000	2019 £000
Issue 2011 Class A5 – cumulative decrease	(274)	(554)
	(274)	(554)

The adjustment is being amortised to profit and loss in the Statement of Comprehensive Income using the effective interest rate method over the period to maturity.

The carrying amount of debt securities approximates to their fair value as follows:

Issue 2011 Class A5 Fixed Rate Notes 2054	2020 Book Value £000	2020 Fair Value £000	2019 Book Value £000	2019 Fair Value £000
Value at 31 December	182,729	188,555	188,310	193,586

Issue 2011 Class Z Floating Rate Notes 2054	2020 Book Value £000	2020 Fair Value £000	2019 Book Value £000	2019 Fair Value £000
Value at 31 December	33,898	32,935	33,898	33,861

Issue 2019 Class A1 Floating Rate Notes 2054	2020 Book Value £000	2020 Fair Value £000	2019 Book Value £000	2019 Fair Value £000
Value at 31 December	750,000	760,509	750,000	751,725

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16. DEBT SECURITIES IN ISSUE (CONTINUED)

Issue 2019 Class A2 Floating Rate Notes 2054	2020 Book Value £000	2020 Fair Value £000	2019 Book Value £000	2019 Fair Value £000
Value at 31 December	500,000	509,353	500,000	502,735

Issue 2019 Class Z Floating Rate Notes 2054	2020 Book Value £000	2020 Fair Value £000	2019 Book Value £000	2019 Fair Value £000
Value at 31 December	215,460	215,447	215,460	215,460

Interest is payable on the 2011 Class Z debt securities in issue at variable rates based on three-month Sterling LIBOR, on the 2011 Class A5 debt securities at a fixed rate, and on the 2019 debt securities on compounded daily SONIA.

The Company's obligations to Note-holders, and to other secured creditors, are secured under a deed of charge that grants security over all of its assets in favour of the security trustee. The principal assets of the Company are loans made to Fosse Funding Limited, a group company, whose obligations in respect of these loans, are secured under a deed of charge which grants security over all its assets, primarily comprising shares in a portfolio of residential mortgage loans, in favour of the security trustee. These mortgages fail the recognition criteria described in IFRS 9 and as such are represented by a receivable on the balance sheet of Fosse Funding Limited, though legally Fosse Funding Limited is entitled to the income from these mortgages. The security trustee holds this security for the benefit of all secured creditors of Fosse Funding Limited, including the Company.

All the debt securities in issue are listed and are included in the amounts shown above.

The Company's debt securities in issue are denominated in US Dollar and Pounds Sterling. All currency borrowings are swapped at inception so that they have the effect of sterling borrowings. These swaps provide an effective hedge against exchange rate movements, but the requirement to carry them at fair value leads, when exchange rates have moved significantly since the issue of the Notes, to large balances for the swaps being carried in the balance sheet.

17. OTHER LIABILITIES

	2020 £000	2019 £000
Other liabilities	177	431
Accrued interest payable	6,071	8,099
	6,248	8,530

Other liabilities include £2.4m (2019: £0.1m) of accrued interest payable to Santander UK plc. Other liabilities are deemed repayable within one year. The Directors consider that the carrying amount of other liabilities approximates to their fair value.

18. SHARE CAPITAL

	2020 £000	2019 £000
Called up, issued and partly paid:		
- 50,000 (2019: 50,000) ordinary share of £1 each: 25p called up and partly paid	13	13

19. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with related parties:

	Interest Expense		Amounts due to related parties		Interest Income		Amounts due from related parties		Cash and cash equivalents	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Santander UK plc	14,405	5,036	1,401,772	1,403,665	5,697	7,223	-	-	155	511
Fosse Funding (No.1) Limited	-	-	-	-	19,153	9,699	1,662,827	1,665,139	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

19. RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the above, the following derivative balances were held with related party Santander UK plc:

	2020	2019
	£000	£000
Derivative financial instruments – assets	28,703	33,593

During the year, fees of £18,287 (2019: £28,022) were charged by Intertrust Management Limited in respect of corporate services provided to the Company which included fees for the provision of Directors to the Company. These amounts were owed to Intertrust Management Limited at the year end. Intertrust Corporate Services Limited, the Company's immediate parent, is a wholly owned subsidiary of Intertrust Management Limited.

Fosse Funding (No.1) Limited and the Company are related parties by virtue of their common ownership.

There have been no transactions with key management personnel during the year, other than those disclosed elsewhere in these financial statements in respect of transactions with Intertrust Management Limited.

20. CAPITAL MANAGEMENT AND FINANCIAL RESOURCES

Santander UK plc adopts a centralised capital management approach, based on an assessment of both regulatory requirements and the economic capital impacts of businesses in the Santander UK group. Disclosures relating to the Company's capital management can be found in the Santander UK Annual Report and Financial Statements.

Capital held by the Company and managed centrally as part of Santander UK plc, comprises share capital and reserves which can be found in the Balance Sheet on page 13. The Company's capital is not externally regulated.

Capital is managed by way of processes set up at inception of the Company and subsequently there is no active process for managing its own capital. The Company is designed to hold minimum reserves once all amounts due on the related party loans have been received and amounts owing, including deferred consideration, have been paid.

21. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent company is Fosse (Master Issuer) Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The entire share capital of Fosse (Master Issuer) Holdings Limited is held by Intertrust Corporate Services Limited on a discretionary trust basis for the benefit of certain charities.

The administration, operations, accounting and financial reporting functions of the Company are performed by Santander UK plc, which is incorporated in Great Britain and registered in England and Wales.

Santander UK plc has been delegated administration and servicing functions in respect of the loans on behalf of the mortgages' trustee and the beneficiary as the service providers.

The Company is a Special Purpose Entity controlled by Santander UK plc and is therefore consolidated within the Santander UK Group Holdings plc group financial statements.

The Company's ultimate controlling party is Banco Santander SA, a company registered in Spain. Banco Santander SA is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Santander UK plc is the parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member.

Copies of all sets of group financial statements, which include the results of the Company, are available from Secretariat, Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN.