

FOSSE MASTER ISSUER PLC

**Registered in England and Wales
No. 05925693**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2023**

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 2023.

Principal activities

Fosse Master Issuer Plc (the 'Company') was established as a special purpose vehicle for the purposes of issuing debt securities (the 'Notes') in the international capital markets, primarily the London Stock Exchange, and lending the proceeds thereof to Fosse Funding (No.1) Limited, on a limited recourse basis. In turn Fosse Funding (No.1) Limited make such funds available to Santander UK plc by purchasing a beneficial interest in a UK residential mortgage loan portfolio (the "mortgage loans", as defined in the Transaction documents) held by Fosse Trustee (UK) Limited (the 'Fosse Master Trust'). Because Santander UK plc remains exposed to the credit risks arising from the mortgage loans and has retained control of them, the sale of the underlying assets under the securitisation arrangement fails the de-recognition criteria and is therefore classed as a deemed loan to Santander UK plc in the financial statements of Fosse Funding (No.1) Limited.

The principal activities of the Company as defined in the securitisation transaction documents (the "Transaction documents") 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.

Whilst the Company is in a net liability position the Fosse securitisation structure has cash balances and reserves of £197m (2022: £191m).

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. 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). At 31 December 2023 and 31 December 2022 there were £1,465m of 2019 Series Class A1, Class A2 and Class Z securities in issue: details of these are given in Note 15.

The Company's obligations to pay principal and interest on the Notes are funded primarily from the payments of principal and interest received 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 Notes in issue.

The mortgage 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 2052.

The mortgage loans within the portfolio are monitored and assessed for impairment on a regular basis in accordance with International Financial Reporting Standard (IFRS) 9 – 'Financial Instruments'.

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 as described in the Transaction documents.

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

Key performance indicators

The profit for the year on ordinary activities after taxation amounted to £0.9m (2022: £0.4m loss).

During the year, the Company received interest income of £80.5m (2022: £32.1m) from Fosse Funding (No.1) Limited and Santander UK plc. The Company used those cash resources to pay interest expense of £79.0m (2022: £31.9m) on debt securities in issue. The Company issued no new debt securities during the year (2022: £nil) and made no payments of principal (2022: £195.6m). The Company made no payments to and had no receipts from (2022: received £188.5m from) Fosse Funding (No.1) Limited.

The debt securities in issue have a legal maturity of October 2054. The next scheduled payment of principal per the Transaction documents is due in July 2024.

The key performance indicators used by management predominantly involve the consideration of whether there have been breaches of the Transaction documents. 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 (2022: none).

Fair review of the Company's Business

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, operational 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

14 June 2024
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 2023.

Results and dividends

The profit for the year on ordinary activities after taxation amounted to £0.9m (2022: £0.4m loss). The Directors do not recommend the payment of a dividend (2022: £nil).

Directors and their interests

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

T Ranger (resigned 12 April 2024)
A S Williams (appointed 25 April 2024)
Intertrust Directors 1 Limited
Intertrust Directors 2 Limited

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 UK-adopted international accounting standards.

Under company law, 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 UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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 19, 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 in the form of notes in issue, which are long term liabilities with limited recourse. 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.

REPORT OF THE DIRECTORS (CONTINUED)

Financial instruments

The Company's financial instruments 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.

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

The main risk arising from the Company's financial instruments is interest rate risk. The Company has debt securities in issue which pay interest at variable rates based on compounded daily Sterling Over Night Index Average (SONIA). The Company's Board reviews and agrees policies for managing this risk. The Company's policy is to eliminate all exposures arising from movements in interest rates, and the loans made to Fosse Funding Limited with the proceeds of the debt security issuances are also at interest rates based on daily compounded SONIA, so hedging the interest rate risk on the securities as per the requirements of the Transaction documents.

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.

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 they ought to have taken as a Director to make themselves 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.

REPORT OF THE DIRECTORS (CONTINUED)

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

14 June 2024

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 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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: the Balance Sheet as at 31 December 2023; the Statement of Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement 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.

Other than those disclosed in Note 9 of the Notes to the Financial Statements, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Context

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").

Overview

Audit scope

- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the Annual Report, 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 immediate 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

- Measurement of the Loans and Advances to group companies and the Debt Securities in Issue

Materiality

- Overall materiality: £14,825,310 (2022: £14,752,030) based on 1% of total assets.
- Performance materiality: £11,118,983 (2022: £11,064,023).

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.

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
<p><i>Measurement of the Loans and Advances to group companies and the Debt Securities in Issue</i></p> <p>Measurement of the Loans and Advances to group companies and the Debt Securities in Issue, represents an intercompany loan repayable from Fosse Funding (No.1) Limited.</p> <p>The underlying receivables supporting the intercompany loan are a ring fenced pool of residential mortgage loans originated by Santander UK plc. These form part of the Fosse Master Trust structure (the "Fosse structure") as outlined in the Transaction documents.</p> <p>We focused a substantial part of our testing on the measurement of the intercompany loan (along with associated interest receivable and any impairment deemed to be present) and the residential mortgage-backed notes (and associated interest payable). Cash receipts in respect of the intercompany loan's underlying mortgages are required by the underlying Transaction documents to be paid out in line with the prevailing priority of payments (or "Waterfall").</p> <p>As such, payments (including those pertaining to the residential mortgage-backed notes) are made subject to cash being available, via application of the Waterfall, which represents a risk, if inappropriate.</p> <p>Related disclosures in the financial statements:</p> <p>Note 1 Accounting policies</p> <p>Note 5 Interest and similar income</p> <p>Note 6 Interest expense and similar charges</p> <p>Note 12 Loans and advances to group companies</p> <p>Note 15 Debt securities in issue</p> <p>Note 18 Related Party Transactions</p>	<p>The following work was undertaken by us as part of the audit:</p> <ul style="list-style-type: none"> • We considered the appropriateness of the priority of payments, adhered to in the context of the underlying legal securitisation arrangements; • We tested movements in the loan balances in the Fosse structure throughout the year relating to interest earned, additions, borrower redemptions and repurchases by Santander UK Plc; • We tested a sample of residential mortgage loans acquired by the Fosse structure and agreed them back to Santander UK Plc's loan system to ensure that they were flagged appropriately; • We validated the data associated with a sample of residential mortgage loans back to signed mortgage documentation; • We assessed the intercompany loan for impairment which included consideration of the credit enhancement deemed to be present, by way of the various credit balances due that are netted off the intercompany loan; • We agreed the intercompany loan back to the accounting records of Santander UK Plc; and • We compared the prevailing priority of payments to that stated within the legal Transaction documents and agreed the amounts distributed via this priority of payments, on a sample basis, to bank statements and cash receipts arising from the underlying residential mortgage loans where applicable. • We have no matters to note in relation to the above procedures.

How we tailored the audit scope

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

As part of designing our audit we determined materiality and assessed the 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.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

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

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

<i>Overall company materiality</i>	£14,825,310 (2022: £14,752,030).
<i>How we determined it</i>	1% of total assets
<i>Rationale for benchmark applied</i>	The Company is a not-for-profit 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. We have deemed this to be a public interest entity and have therefore applied 1% due to the fact the entity has listed debt.

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% (2022: 75%) of overall materiality, amounting to £11,118,983 (2022: £11,064,023) 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 £741,266 (2022: £737,602) 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:

- Performing 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;

- Inspecting the Transaction documents to verify that the Notes are limited recourse instruments and that certain expenses can be deferred if there are insufficient funds;
- Reviewing the events of default in the transaction, as set out in the Transaction documents and checking that no trigger breaches had occurred that would impact the going concern assertion directly;
- Inspecting post year-end investor reports for pertinent changes in cash flows, such as deterioration in the performance of the underlying loans; and
- Reviewing the appropriateness of the disclosures in the financial statements.

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.

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 2023 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 a breach of the underlying documents governing the transaction, 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 regulations and fraud;
- Evaluating the business rationale for any significant unusual transactions and substantively testing the transaction itself if any are required;
- Testing on a sample basis, that the priority of payments has been applied in accordance with the underlying transaction documents;
- Testing journals using a risk-based approach and evaluating whether there was evidence of management override of controls;
- Reviewing minutes of the meetings of the board of directors that occurred during the period and made enquiries of management;
- Considering the reasonableness of key judgements and assumptions used by management in developing accounting estimates, including a critical assessment of the presence of management bias and retrospective analysis of significant accounting estimate; and
- Understanding and evaluating relevant controls.

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

Following the recommendation of the Directors, we were appointed by the members 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 8 years, covering the years ended 31 December 2016 to 31 December 2023.

Jennifer Hale

Jennifer Hale (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 June 2024

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

Continuing operations	Note	2023 £000	2022 £000
Interest and similar income	5	80,520	32,129
Interest expense and similar charges	6	(78,978)	(31,851)
Net interest income		1,542	278
Net other operating expense	7	-	(225)
Administrative expenses	8	(630)	(458)
Profit / (Loss) before tax	9	912	(405)
Tax charge on Profit / (Loss) for the year	10	(1)	(1)
Profit / (Loss) for the year		911	(406)
Other comprehensive income		-	-
Total comprehensive income / (expense) for the year		911	(406)

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Share capital	Accumulated losses	Total equity
	£000	£000	£000
As at 1 January 2022	13	(526)	(513)
Loss for the year	-	(406)	(406)
As at 31 December 2022 and 1 January 2023	13	(932)	(919)
Profit for the year	-	911	911
At 31 December 2023	13	(21)	(8)

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

BALANCE SHEET

As at 31 December 2023

	Note	2023 £000	2022 £000
Non-current assets			
Loans and advances to group companies	12	615,252	1,464,051
Other assets	14	-	356
Total non-current assets		615,252	1,464,407
Current assets			
Loans and advances to group companies	12	867,157	10,440
Other assets	14	-	241
Cash and cash equivalents	13	122	115
Total current assets		867,279	10,796
Total assets		1,482,531	1,475,203
Current liabilities			
Corporation tax	10	(1)	(1)
Debt securities in issue	15	(849,757)	-
Other liabilities	16	(17,434)	(10,661)
Total current liabilities		(867,192)	(10,662)
Net current assets		87	134
Non-current liabilities			
Debt securities in issue	15	(615,347)	(1,465,460)
Total non-current liabilities		(615,347)	(1,465,460)
Net liabilities		(8)	(919)
Equity			
Share capital	17	13	13
Accumulated losses		(21)	(932)
Total equity		(8)	(919)

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

The financial statements on pages 12 to 26 were approved by the Board of Directors, and signed on its behalf by:



Helena Whitaker
Per pro Intertrust Directors 1 Limited

As Director

14 June 2024

CASH FLOW STATEMENT

For the year ended 31 December

	Note	2023 £000	2022 £000
Profit / (Loss) before tax		912	(405)
Adjustments for non-cash items included in profit / (loss)			
Losses on foreign exchange on retranslation of debt securities in issue	7	-	(23,012)
Profit on hedged items attributable to hedged risks	7	-	13
Add: Interest expense	6	78,978	31,851
Less: Interest income	5	(80,520)	(32,129)
Operating cash flows before movements in working capital		(630)	(23,682)
Cash flows from operating activities			
Adjustments for:			
Change in operating assets		(717)	26,309
Change in operating liabilities		(187)	32
Corporation taxes paid		(1)	(1)
Net cash flows (used in) / generated from operating activities		(1,535)	2,658
Investing activities			
Loan repayments from group companies		-	195,615
Interest received		73,560	25,023
Net cash generated from investing activities		73,560	220,638
Financing activities			
Redemption of debt securities		-	(195,605)
Interest paid		(72,018)	(27,589)
Net cash used in financing activities		(72,018)	(223,194)
Net increase in cash and cash equivalents		7	102
Cash and cash equivalents at the beginning of the year		115	13
Cash and cash equivalents at the end of the year	13	122	115

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. ACCOUNTING POLICIES

General information

The Company is a public company 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

These financial statements are prepared for Fosse Master Issuer PLC (the Company) under the Companies Act 2006.

The Company's financial statements have been prepared in accordance with UK-adopted international accounting standards (IAS).

The functional and presentation currency of the Company is Pound 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

The Company applied the amendment to IAS 1 'Presentation of Financial Statements', which requires disclosure of material rather than their significant accounting policies, in preparing the financial statements for the year ended 31 December 2022.

No other significant new or revised pronouncements, which became effective from 1 January 2023, impacted these financial statements.

Future accounting developments

At 31 December 2023, there were no other significant new or revised pronouncements which have been issued but which are not yet effective, or which have otherwise not been early adopted where permitted.

Material accounting policy information

The following material accounting policies have been applied in preparing these financial statements. Those material accounting policies which involve the application of judgements or accounting estimates that are determined to be critical to the preparation of these financial statements are set out in the section headed "Critical judgements and accounting estimates".

Foreign currency translation

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

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.

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.

Solely Payment of Principal and Interest ("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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

Financial assets: debt instruments (continued)

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 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. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

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 which is currently £5,000.

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.

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. Expected credit 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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 the Company what credit risk is likely to cost 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. ECL calculation is explained below.
Stages 1, 2 and 3	The Company assesses each facility's credit risk profile to determine which stage to allocate them to, and it monitors where there is a SICR and transfers between the stages. Allocation of a facility to Stage 1, 2 or 3 is explained 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. The Company assesses 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 £1,482m (2022: £1,474m).

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 2023, the book value of residential mortgage loans that Santander UK plc had assigned legal title to the Fosse securitisation structure was £2,048m (2022: £2,028m). The Fosse securitisation structure acquired interest in a portfolio of mortgage loans (Funder share) was £1,465m (2022: £1,466m) and the Santander UK plc seller share was £583m (2022: £562m). The seller share does not provide credit enhancement.

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 £197m (2022: £191m) 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 at the date of approval of these financial statements were:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

3. RISK MANAGEMENT POLICY AND CONTROL FRAMEWORK (CONTINUED)

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.

Maturities of financial liabilities

The table below analyses the maturities of the undiscounted cash flows relating to the financial liabilities of the Company at the Balance Sheet date, based on the remaining period to the scheduled maturity date as per the Transaction documents.

At 31 December 2023	On demand £000	1-3 months £000	3-12 months £000	1-5 years £000	2023 Total £000
Other liabilities	17,435	-	-	-	17,435
Interest payable on debt securities in issue	-	22,018	56,511	68,730	147,259
Debt securities in issue	-	-	849,975	615,485	1,465,460
Total	17,435	22,018	906,486	684,215	1,630,154

At 31 December 2022	On demand £000	1-3 months £000	3-12 months £000	1-5 years £000	2022 Total £000
Other liabilities	10,662	-	-	-	10,662
Interest payable on debt securities in issue	-	12,940	38,818	94,240	145,998
Debt securities in issue	-	-	-	1,465,460	1,465,460
Total	10,662	12,940	38,818	1,559,700	1,622,120

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 previously currency risk from the fluctuations in the US Dollar. The USD Dollar Notes were fully redeemed in 2023.

Where the Company had issued currency denominated Notes, the Company entered into cross currency swaps to hedge its exposure to foreign exchange and interest rate risk. The Company's total interest income and expense on financial assets and liabilities is currently hedged to sterling 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, with the hedge being allowed to run out over time.

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 losses on derivative financial instruments and translation of £Nil (2022: losses of £0.2m). This volatility is expected to even out over the long term.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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 2023 £000	Year ended 31 December 2022 £000
Interest income from Fosse Funding (No.1) Limited	80,510	31,928
Other interest income	10	-
Derivative interest income	-	201
	80,520	32,129

6. INTEREST EXPENSE AND SIMILAR CHARGES

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Interest expense on debt securities in issue	78,978	31,851
	78,978	31,851

7. NET OTHER OPERATING EXPENSE

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Fair value hedging:		
- Amortisation of de-designated hedges	-	(13)
Fair value losses on derivative financial instruments	-	(23,224)
Gains on foreign exchange on retranslation of debt securities in issue	-	23,012
	-	(225)

The Company previously hedged 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.

In line with the Transaction documents, swaps were also in place to economically hedge fair value or interest rate risk on the remaining fixed rate or foreign currency Notes. The fair value movements of those swaps are accounted for in Net Operating (expense)/income within the Statement of Comprehensive income.

As at 1 January 2019, the Company voluntarily de-designated the fair value hedges with the hedges being allowed to run out over time.

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 2023 £000	Year ended 31 December 2022 £000
Administration fees and bank charges	630	458
	630	458

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

9. PROFIT / (LOSS) 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 (2022: £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 £28,000 (2022: £26,600).

Non-audit fees of £10,000 were charged to the Company during the year (2022: £9,000) for a Programme update report.

10. TAX CHARGE ON PROFIT / (LOSS) FOR THE YEAR

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Current tax:		
UK corporation tax on profit / (loss) for the year	1	1
Tax charge on profit / (loss) 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, which is currently £5,000.

UK corporation tax is calculated at 19% (2022: 19%) of the estimated assessable profits / (losses) for the year.

The enacted tax rate for 2024 is expected to be 19% for corporation tax for small companies with profits under £50,000.

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

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Profit / (Loss) before tax	912	(405)
Tax calculated at a rate of 19% (2022: 19%)	173	(77)
Non-taxable income	(172)	78
Tax charge on profit / (loss) for the year	1	1

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has no assets or liabilities measured at fair value. The fair value of debt securities in issue, measured at amortised cost, is disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

12. LOANS AND ADVANCES TO GROUP COMPANIES

	2023 £000	2022 £000
Repayable:		
Within one year	867,157	10,440
After one year and within five years	615,252	-
After five years	-	1,464,051
	1,482,409	1,474,491

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: previously this was based on the contractual maturity, for the year ending 31 December 2023 this is based on the scheduled repayments per the Transaction documents.

The loans are all denominated in Sterling and are subject to variable rates of interest. The carrying amount of loans and advances to group companies approximates to their fair value.

13. CASH AND CASH EQUIVALENTS

	2023 £000	2022 £000
Deposits with group undertakings	122	115
	122	115

Cash and cash equivalent balances due from Santander UK plc, a related party were £0.122m (2022: £0.115m).

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.

14. OTHER ASSETS

	2023 £000	2022 £000
Deferred start-up costs		
Due within one year	-	241
Due after more than one year	-	356
	-	597

The carrying amount of other assets approximates to their fair value. For the year ending 31 December 2023 deferred start-up costs are shown against debt securities in issue in Note 15.

15. DEBT SECURITIES IN ISSUE

Residential mortgage backed Notes	2023 £000	2022 £000
These borrowings are repayable as follows:		
Within one year:		
Debt securities in issue	849,975	-
Deferred start-up costs	(218)	-
	849,757	-
After one year and within five years:		
Debt securities in issue	615,485	-
Deferred start-up costs	(138)	-
	615,347	-
Greater than five years:		
Debt securities in issue	-	1,465,460
Deferred start-up costs	-	-
	-	1,465,460
	1,465,104	1,465,460

Previously the classification of the debt securities in issue was in line with the legal maturity dates of the Notes. For the year ending 31 December 2023 it is based on the scheduled repayments as per the Transaction documents. As noted on Note 14 deferred start-up costs, previously reported as Other Assets, are now shown against the debt securities in issue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

15. DEBT SECURITIES IN ISSUE (CONTINUED)

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

Issues: 2019	Currency	2023	2023	2022	2022
		Issued	Issued	Issued	Issued
		currency	currency	currency	currency
		£000	£000	£000	£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
Total		1,465,460		1,465,460	

The debt securities issued on 15 October 2019 pay interest based on compounded daily SONIA.

As per the Transaction documents, the Class A1 Notes are scheduled for redemption in October 2024, and the Class A2 notes in 2026. The Class Z notes are scheduled for redemption between October 2024 and 2026.

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

	2023	2023	2022	2022
	Book	Fair	Book	Fair
	Value	Value	Value	Value
	£000	£000	£000	£000
Issue 2019 Class A1 Floating Rate Notes 2054				
Value at 31 December	750,000	751,347	750,000	751,560
Issue 2019 Class A2 Floating Rate Notes 2054				
Value at 31 December	500,000	500,187	500,000	499,151
Issue 2019 Class Z Floating Rate Notes 2054				
Value at 31 December	215,460	215,447	215,460	215,447

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.

With the exception of Class Z notes which are issued within the Banco Santander SA Group, all debt securities in issue are listed on the London Stock Exchange and are included in the amounts shown above.

The Company's debt securities in issue are denominated in Pounds Sterling.

All debt securities other than £100m of Issue 2019 Class A1 are held by Santander UK plc (2022: £100m).

The Company previously issued debt securities that were denominated in US Dollar and Pounds Sterling. All currency borrowings were swapped at inception so that they had the effect of sterling borrowings. These swaps provided an effective hedge against exchange rate movements, but the requirement to carry them at fair value led, when exchange rates had moved significantly since the issue of the Notes, to large balances for the swaps being carried in the balance sheet. The securities denominated in US Dollar matured in 2022 and were fully redeemed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

16. OTHER LIABILITIES

	2023 £000	2022 £000
Due within one year:		
Other liabilities	34	221
Accrued interest payable	17,400	10,440
	17,434	10,661

Other liabilities include £16.2m (2022: £9.7m) of accrued interest payable to Santander UK plc. The Directors consider that the carrying amount of other liabilities approximates to their fair value.

17. SHARE CAPITAL

	2023 £000	2022 £000
Called up, issued and partly paid:		
- 50,000 (2022: 50,000) ordinary share of £1 each: 25p called up and partly paid	13	13

The Company's authorised share capital is £50,000 divided into 50,000 shares of £1 each.

18. 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	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Santander UK plc	73,742	29,349	1,381,332	1,375,203	10	-	(96)	(65)	122	115
Fosse Funding (No.1) Limited	-	-	-	-	80,510	31,928	1,482,505	1,474,556	-	-

During the year, fees of £17,565 (2022: £11,565) 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 Management Limited is a wholly owned subsidiary of Intertrust Holdings (UK) Limited with the ultimate parent company being Intertrust N.V, a Dutch public company. Intertrust N.V was acquired by CSC (Netherlands) Holdings B.V. on 7th November 2022. The ultimate parent undertaking, controlling party and largest group of which Intertrust Management Limited is a member is WMB Holdings, Inc, a privately held corporation.

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.

19. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

20. 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 Vehicle 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 Corporate Governance Office, Santander UK plc, 2 Triton Square, Regent's Place, London, NW1 3AN.

21. POST BALANCE SHEET EVENTS

On 13 May 2024 the Company issued £750,000,000 of Series 2024-1 Class A1 Master Issuer debt securities in order to fund the Series 2024-1 (Class A1) AAA Master Issuer Loan Tranche. Interest on these debt securities is compounded at SONIA plus 0.52%. On the same day the Company issued £10,000,000 of Series 2024-1 Class Z variable funding note debt securities in order to fund the Series 2024-1 (Class Z) NR VFN Master Issuer Loan Tranche. Interest on these debt securities is compounded at SONIA.