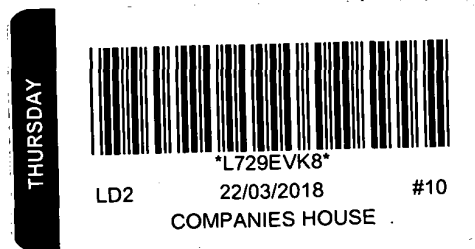


Registered Number 9861452

GOSFORTH MORTGAGES TRUSTEE 2016-1 LIMITED  
Annual Report and Financial Statements  
31 December 2017



# Gosforth Mortgages Trustee 2016-1 Limited

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# Gosforth Mortgages Trustee 2016-1 Limited

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## COMPANY INFORMATION

<b>DIRECTORS</b>	Adrian Sargent L.D.C. Securitisation Director No. 1 Limited L.D.C. Securitisation Director No. 2 Limited
<b>COMPANY SECRETARY</b>	Law Debenture Corporate Services Limited
<b>COMPANY NUMBER</b>	9861452
<b>REGISTERED OFFICE</b>	Fifth Floor 100 Wood Street London EC2V 7EX
<b>PRINCIPAL PLACE OF BUSINESS</b>	Jubilee House Gosforth Newcastle upon Tyne NE3 4PL
<b>INDEPENDENT AUDITORS</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

# Gosforth Mortgages Trustee 2016-1 Limited

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## DIRECTORS' REPORT

For the year ended 31 December 2017

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

### OVERVIEW OF GOSFORTH 2016-1 SECURITISATION TRANSACTION

Gosforth Mortgages Trustee 2016-1 Limited (the 'Company') is a Special Purpose Vehicle (SPV) that forms part of a securitisation structure that was established primarily as a means of raising finance for Virgin Money plc.

Under the securitisation structure a portfolio of mortgage loans secured on residential property in England, Scotland and Wales was placed into a trust (the Trust Property). A Trustee (the Company) was established to hold the legal interest in the Trust Property.

Virgin Money plc sold a beneficial interest in the Trust Property to Gosforth Funding 2016-1 plc. To fund the purchase, Gosforth Funding 2016-1 plc issued wholesale debt securities (loan notes), with the proceeds passed to Virgin Money plc.

Virgin Money plc continues to administer the mortgage loans in the Trust Property and manages the securitisation transaction, in its role as Administrator and Cash Manager. The Company holds the Trust Property on trust for both Gosforth Funding 2016-1 plc and Virgin Money plc, each having joint and undivided beneficial interest.

The transaction documents related to the securitisation structure define certain prescribed roles and transaction terms, and should be read in conjunction with these financial statements. The transaction documents can be found at: <http://uk.virginmoney.com/virgin/investor-relations/securitisation/mortgages/>

### OVERVIEW OF THE COMPANY

The Company was incorporated in England and Wales on 6 November 2015 as a private limited company and was dormant until it commenced operations on 25 January 2016. The Company is a wholly owned subsidiary of Gosforth Holdings 2016-1 Limited. On 25 January 2016 the Company commenced operations when the legal title to £1,749 million of residential mortgage loans was assigned to the Company by Virgin Money plc.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is to hold the legal interest in certain property on trust absolutely for the beneficial owners of that property and enter into all financial arrangements in connection with the securitisation transaction. The activities of the Company, and of the Gosforth Holdings 2016-1 Group, are managed in accordance with the securitisation transaction documents which can be found at the website address above.

### DIVIDENDS

Dividends of £nil were declared and paid during the year (2016: £nil). The Directors do not recommend a final dividend for the year (2016: £nil).

### DIRECTORS

The current composition of the Board of Directors together with details of appointments and retirements up to the date of this report is as follows:

Adrian Sargent  
L.D.C. Securitisation Director No. 1 Limited  
L.D.C. Securitisation Director No. 2 Limited

None of the Directors had a beneficial interest in the shares of the Company, or of the ultimate parent company, The Law Debenture Intermediary Corporation plc.

# Gosforth Mortgages Trustee 2016-1 Limited

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## DIRECTORS' REPORT For the year ended 31 December 2017

### EMPLOYEES

The Company does not have any employees (2016: nil).

### GOING CONCERN

The Company holds the legal interest in certain property on trust. The Company has no beneficial interest in the Trust Property. All income from the Trust Property is distributed to the beneficial owners in proportion to their share of the Trust Property owned. The Company has no transactions in the statement of comprehensive income because all income and expenditure relating to the assets of the company are distributed to the beneficial owners of the Trust Property. No future changes in transactions are envisaged, consequently, the Directors are satisfied that the Company will have sufficient liquid resources available to meet its obligations as they fall due.

After reviewing the latest performance of the underlying mortgages, the Directors are satisfied that the Company will have adequate resources to continue in business for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

### DIRECTORS' INDEMNITIES

The Company has entered into deeds of indemnity for the benefit of Directors of the Company which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deeds were in force during the whole of the financial year and up to the date of approval of this report. In addition, the Company had appropriate Directors' and Officers' insurance cover in place throughout the year and up to the date of approval of this report.

### EVENTS AFTER THE REPORTING PERIOD

There have been no significant events between 31 December 2017 and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.

### FUTURE DEVELOPMENTS

Virgin Money plc, in its role as Administrator regularly reviews and monitors mortgage customers' behaviours, the liquidity position of the Company, counterparty vulnerability, operational capability and disruption to payment and other systems.

No changes in future activities are envisaged.

### RESEARCH AND DEVELOPMENT ACTIVITIES

The Company does not undertake formal research and development activities.

### CORPORATE GOVERNANCE

Due to the nature of the securities which have been issued on the London Stock Exchange, the Directors are satisfied that there is no requirement to publish a corporate governance statement and that the Group is largely exempt from the disclosure requirements of the UK Corporate Governance Code.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Information in relation to financial reporting and financial risk management objectives and policies in relation to the use of financial instruments can be found in note 10.

# Gosforth Mortgages Trustee 2016-1 Limited

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## DIRECTORS' REPORT

For the year ended 31 December 2017

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare company financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

### INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the Directors who is in office at the date of this report, confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are also aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of the Act. Resolutions concerning the reappointment of PricewaterhouseCoopers LLP as auditors and authorising the Group's Audit Committee to set the auditors' remuneration will be proposed at the 2018 AGM.

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members, or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board on 21 March 2018 and signed on its behalf by:



For and on behalf of Law Debenture Corporate Services Limited, Company Secretary.  
Registered No. 9861452

# Gosforth Mortgages Trustee 2016-1 Limited

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOSFORTH MORTGAGES TRUSTEE 2016-1 LIMITED

### Report on the audit of the financial statements

#### Opinion

In our opinion, Gosforth Mortgages Trustee 2016-1 Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; 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 2017; 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.

#### 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

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

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

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

#### 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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

# Gosforth Mortgages Trustee 2016-1 Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GOSFORTH MORTGAGES TRUSTEE 2016-1 LIMITED

### *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 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 Directors' Report.

### **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 Directors' Report and the Financial Statements set out on page 4, 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.

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](http://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 received 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.



Jessica Miller (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
21 March 2018



## Gosforth Mortgages Trustee 2016-1 Limited

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### STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2017

		Year ended 31 December 2017	Period from 6 November 2015 to 31 December 2016
	Note	£'000	£'000
Interest and similar income	2	-	-
<b>Net interest income</b>		-	-
Administrative expenses	3	-	-
<b>Result before taxation</b>		-	-
Taxation	4	-	-
<b>Result and total comprehensive income for the year/period attributable to equity shareholders</b>		-	-

The result is derived from continuing operations and all activities are in the UK.

The accompanying notes are an integral part of these financial statements.

# Gosforth Mortgages Trustee 2016-1 Limited

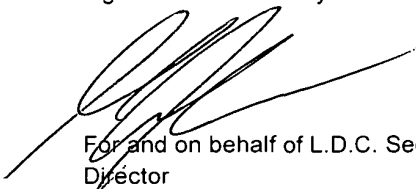
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## BALANCE SHEET As at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
Cash and cash equivalents	6	43,472	60,146
Receivables	7	5,056	4,202
<b>Total assets</b>		<b>48,528</b>	<b>64,348</b>
<b>Liabilities</b>			
Payables	8	48,528	64,348
<b>Total liabilities</b>		<b>48,528</b>	<b>64,348</b>
<b>Equity</b>			
Share capital	9	-	-
Retained earnings		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>48,528</b>	<b>64,348</b>

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 7 to 20 were approved by the Board of Directors on 21 March 2018 and signed on its behalf by:



**Mark Filer**

For and on behalf of L.D.C. Securitisation Director No. 1 Limited  
Director

## Gosforth Mortgages Trustee 2016-1 Limited

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### STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 6 November 2015	-	-	-
Issuance of ordinary shares	-	-	-
Result and total comprehensive income for the period	-	-	-
Balance as at 31 December 2016	-	-	-
<b>Balance as at 1 January 2017</b>	-	-	-
Result and total comprehensive income for the year	-	-	-
<b>Balance as at 31 December 2017</b>	-	-	-

The accompanying notes are an integral part of these financial statements.

## Gosforth Mortgages Trustee 2016-1 Limited

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### CASH FLOW STATEMENT For the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Period from 6 November 2015 to 31 December 2016 £'000
<b>Result before taxation</b>	-	-
Increase in receivables	(854)	(4,202)
(Decrease) / increase in payables	(15,820)	64,348
<b>Net cash (used in)/provided from operating activities</b>	<b>(16,674)</b>	<b>60,146</b>
Net (decrease) / increase in cash and cash equivalents	(16,674)	60,146
Cash and cash equivalents at the beginning of the year / period	60,146	-
<b>Cash and cash equivalents at the end of the year / period</b>	<b>43,472</b>	<b>60,146</b>

Operating activities are the principal revenue producing activities of the Company and other activities which are not investing or financing activities.

The accompanying notes are an integral part of these financial statements.

# Gosforth Mortgages Trustee 2016-1 Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 1. ACCOUNTING POLICIES

#### **1.1 Reporting entity**

Gosforth Mortgages Trustee 2016-1 Limited is a company incorporated and registered in England and Wales.

#### **1.2 Basis of preparation and measurement**

The financial statements, which should be read in conjunction with the Directors' Report, have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, including interpretations issued by the IFRS Interpretations Committee, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

The current period is the year ended 31 December 2017, and the comparative period is from 6 November 2015 to 31 December 2016.

The accounting policies set out have been applied consistently to all periods presented in these financial statements.

#### **1.3 Interest and similar income**

Interest and similar income represents the interest income received on the bank accounts and permitted investments held by the Company. Interest and similar income are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the effective interest method. All income relating to the assets of the Company is distributed to the beneficial owners of the Trust Property.

#### **1.4 Administrative expenses**

All administrative expenses are recharged to the beneficial owners of the Trust Property.

#### **1.5 Mortgage loans held on trust for the beneficial owners of the Trust Property**

The Company retains none of the risks and rewards associated with the mortgage loans held on trust for the beneficial owners of the Trust Property. Recourse to the beneficial owners of the Trust Property is limited to the cash flows from the mortgage loans. All cash flows and losses arising from the mortgage loans are distributed to the beneficial owners in accordance with the securitisation transaction documents.

#### **1.6 Share capital**

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Final dividends on shares are recognised in equity in the period in which they are approved by the Company's shareholders or paid. The Company's capital is represented by the share capital and reserves and these are managed in order that there is sufficient capital to meet the needs of the Company in its operations. The Company is not subject to any externally imposed capital requirements.

#### **1.7 Foreign currency translation**

The Company's financial statements are presented in Sterling, which is the functional currency of the Company.

#### **1.8 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.

The cash flow statement is prepared using the indirect (net) method of preparation.

# Gosforth Mortgages Trustee 2016-1 Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 1. ACCOUNTING POLICIES (CONTINUED)

#### 1.9 Taxation

Income tax payable on taxable profits ('current tax') is recognised as an expense in the period in which the profits arise.

#### 1.10 Changes in accounting policy

In 2017, the Company adopted amendments to existing standards that were endorsed for adoption by the EU and mandatory for annual reporting periods beginning on or after 1 January 2017. The adoption of the amendments to IAS 12 'Income Taxes' and IAS 7 'Statement of cash flows' had no impact on these financial statements or the accounting policies applied in their preparation.

The adoption of these interpretations and amendments to standards or interpretations had an insignificant impact on the Company and did not result in any change in accounting policies.

New accounting standards issued by the IASB that are relevant to the Company and effective in future periods are presented in note 13.

There are no other standards, amendments to standards or interpretations that are applicable in the year which have a material impact on the financial statements.

#### 1.11 Critical accounting estimates

Due to the nature of the Company, there are no critical estimates or judgements made in the preparation of these financial statements.

### 2. INTEREST AND SIMILAR INCOME

	Year ended 31 December 2017 £'000	Period from 6 November 2015 to 31 December 2016 £'000
Bank interest receivable	7	39
Bank interest allocated to the beneficial owners of the Trust Property	(7)	(39)
	<hr/> -	<hr/> -

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 3. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2017 £'000	Period from 6 November 2015 to 31 December 2016 £'000
Fees payable for the audit of the current period annual report and financial statements	5	5
Other administrative expenses	1,237	1,282
Expenses recharged to the beneficial owners of the Trust Property	(1,242)	(1,287)
	-	-

All auditors' remuneration relates to statutory audit services.

Other administrative expenses primarily relate to the fee payable to the Administrator in payment for the administering of the mortgage loans.

The Company has no employees (2016: nil). No emoluments were paid to the Directors for their services to the Company during the year (2016: £nil). A management fee for administration services is charged by the Administrator (see note 11) for a range of services including the provision of a Director of the Company. A management fee of £5,629 (2016: £4,675) was charged by Law Debenture Corporate Services Limited for a range of services including provision of L.D.C. Securitisation Director No. 1 Limited and L.D.C. Securitisation Director No. 2 Limited for the year.

### 4. TAXATION

#### Analysis of tax charge for the year/period:

	Year ended 31 December 2017 £'000	Period from 6 November 2015 to 31 December 2016 £'000
<b>Current tax:</b>		
UK corporation tax on taxable result for the year/period	-	-

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 5. ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY MEASUREMENT BASIS

2017	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
<b>Financial assets</b>			
Cash and cash equivalents	-	43,472	43,472
Receivables	-	5,056	5,056
<b>Total financial assets</b>	<b>-</b>	<b>48,528</b>	<b>48,528</b>
<b>Financial liabilities</b>			
Payables	48,528	-	48,528
<b>Total financial liabilities</b>	<b>48,528</b>	<b>-</b>	<b>48,528</b>

2016	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
<b>Financial assets</b>			
Cash and cash equivalents	-	60,146	60,146
Receivables	-	4,202	4,202
<b>Total financial assets</b>	<b>-</b>	<b>64,348</b>	<b>64,348</b>
<b>Financial liabilities</b>			
Payables	64,348	-	64,348
<b>Total financial liabilities</b>	<b>64,348</b>	<b>-</b>	<b>64,348</b>

### 6. CASH AND CASH EQUIVALENTS

	2017 £'000	2016 £'000
Cash and cash equivalents	43,472	60,146

The Company holds deposits of £43,472,000 (2016: £60,146,000) under Guaranteed Investment Contracts which pay variable rates of interest based upon one month Sterling LIBOR.



# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 7. RECEIVABLES

	2017 £'000	2016 £'000
Amounts owed by Group undertakings	5,051	4,202
Other receivables	5	-
	<u>5,056</u>	<u>4,202</u>

### 8. PAYABLES

	2017 £'000	2016 £'000
Amounts due to beneficial owners of Trust Property	48,522	64,341
Trade and other payables	6	7
	<u>48,528</u>	<u>64,348</u>

All beneficial owners of the Trust Property are related parties and £43,472,000 was repaid on 10th January 2018 (£60,146,000 was repaid on 11th January 2017).

### 9. SHARE CAPITAL

	2017 £	2016 £
<b>Issued and fully paid</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

All share capital was issued at par and was fully paid up. Dividends of £nil (2016: £nil) were paid during the year. The shares have attached to them full voting, dividend and capital distribution (including winding up) rights. They do not confer any rights of redemption.

### 10. FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties faced by the Company and the objectives and policies for managing these risks are set out below. Each of the major risk categories is listed below together with a brief description of the risk management framework.

#### Risk management

In order to manage and control its risks, the Company has implemented a comprehensive set of policies and procedures. The manner in which the principal risks faced by the Company are mitigated is described below.

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk

Credit risk arises from exposure to loss if another party fails to meet its financial obligations to the Company, including failing to perform them in a timely manner. The Company's main external exposure is represented by cash deposits and permitted investments with third party banks and with Virgin Money plc. If these deposits and permitted investments were not recoverable, this may affect the Company's ability to meet financial obligations due to the beneficial owners of the Trust Property. Deposits can only be made with Virgin Money plc to the extent that the Seller Share exceeds the required Minimum Seller Share of the Trust Property. In the event that a loss was incurred in relation to the deposits made with Virgin Money plc, the Seller Share of the Trust Property would suffer the loss in the first instance. The Company's policy is to continually monitor the credit ratings of the third party banks to ensure that they meet the ratings required by the transaction documents. Exposure levels at the banks are managed by using 'Permitted Investments' as appropriate, enabling cash deposits to be spread across a range of different counterparties.

All financial assets are current and have not been impaired.

The Company trades only with recognised, credit worthy third parties. It is the Company's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. No receivable balances are past due nor impaired.

#### Concentration risk

Concentration risk refers to any exposure with the potential to produce losses large enough to threaten the Company's ability to maintain its core operations. This would include exposures to individual counterparties and counterparties in specific geographical locations.

The following table breaks down the Company's main credit exposures by country at their carrying amounts. Exposures are allocated to countries based on the country of domicile of the counterparty:

2017	UK £'000	France £'000	Total £'000
Cash and cash equivalents	43,428	44	43,472
Receivables	5,056	-	5,056
	<b>48,484</b>	<b>44</b>	<b>48,528</b>

2016	UK £'000	France £'000	Total £'000
Cash and cash equivalents	60,098	48	60,146
Receivables	4,202	-	4,202
	<b>64,300</b>	<b>48</b>	<b>64,348</b>

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Liquidity risk

Liquidity risk arises from a mismatch in the cash flows generated from current and expected assets and liabilities. The Company's policy is to ensure that all cash received and held for distribution to the beneficial owners of the Trust Property is deposited in instant access accounts or in permitted investments maturing on or before distribution dates so that distributions can be made in a prompt fashion.

Assets available to meet all of the liabilities as they fall due are cash and cash equivalents. The following table analyses the Company's assets and liabilities into relevant maturity groupings based on the remaining contractual period at the balance sheet date.

	All within 3 months £'000
<b>2017</b>	
<b>Assets</b>	
Cash and cash equivalents	43,472
Receivables	5,056
<b>Total assets</b>	<b>48,528</b>
<b>Liabilities</b>	
Payables	48,528
<b>Total liabilities</b>	<b>48,528</b>
<b>Net liquidity gap</b>	<b>-</b>
	All within 3 months £'000
<b>2016</b>	
<b>Assets</b>	
Cash and cash equivalents	60,146
Receivables	4,202
<b>Total assets</b>	<b>64,348</b>
<b>Liabilities</b>	
Payables	64,348
<b>Total liabilities</b>	<b>64,348</b>
<b>Net liquidity gap</b>	<b>-</b>

#### *Fair values of non derivative financial assets and liabilities*

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Company's balance sheet at their fair value. Cash and cash equivalents, receivables and payables are recognised on an amortised cost basis, which is considered to be a close approximation to fair value.

2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000	Book Value £'000
<b>Financial assets</b>					
Cash and cash equivalents	-	43,472	-	43,472	43,472
Receivables	-	5,056	-	5,056	5,056
<b>Financial liabilities</b>					
Payables	-	48,528	-	48,528	48,528

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000	Book Value £'000
Financial assets					
Cash and cash equivalents	-	60,146	-	60,146	60,146
Receivables	-	4,202	-	4,202	4,202
Financial liabilities					
Payables	-	64,348	-	64,348	64,348

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of cash and cash equivalents approximates to carrying value because cash and cash equivalents have no history of credit losses and are short term in nature or re-price frequently.

Fair value of receivables and payables approximates to carrying value because they represent balances that are non-interest bearing and expected to settle within a short time period.

#### Interest rate risk

Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, unexpected changes in the slope and shape of yield curves and changes in correlation of interest rates between different financial instruments (often referred to as basis risk). The liabilities of the Company are non interest bearing so this risk is mitigated.

#### Interest rate profile of financial assets and liabilities

2017	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
<b>Assets</b>				
Sterling	43,472	-	5,056	48,528
<b>Liabilities</b>				
Sterling	-	-	48,528	48,528

2016	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
<b>Assets</b>				
Sterling	60,146	-	4,202	64,348
<b>Liabilities</b>				
Sterling	-	-	64,348	64,348

All floating rate assets re-price monthly.

# Gosforth Mortgages Trustee 2016-1 Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events including legal risk. This risk is mitigated by monitoring compliance with the transaction documents.

All risk matters are outsourced to Virgin Money plc.

### 11. RELATED PARTY TRANSACTIONS

The Company is considered a subsidiary of Virgin Money plc for accounting purposes on the basis that Virgin Money plc is exposed to the rights of variable returns from its involvement in the activities of the Company and has the ability to affect those returns through its power over the Company. Consequently the Directors consider Virgin Money plc to be a related party.

	Year ended 31 December 2017 £'000	Period from 6 November 2015 to 31 December 2016 £'000
<b>Interest and similar income</b>		
Interest received on bank account held at Virgin Money plc	7	37

	Year ended 31 December 2017 £'000	Period from 6 November 2015 to 31 December 2016 £'000
<b>Administrative expenses</b>		
Cash manager fee	5	5
Administrator fees	1,151	1,199
	<u>1,156</u>	<u>1,204</u>

The Administrator fee and the Cash manager fee are both allocated between Virgin Money plc (the Seller) and Gosforth Funding 2016-1 plc (the Issuer).

	2017 £'000	2016 £'000
<b>Assets</b>		
Cash and cash equivalents	43,428	60,098

At 31 December 2017 the Company owed £2,697,000 (2016: £3,120,000) to the Issuer and £40,775,000 (2016: £57,026,000) to Virgin Money plc relating to cash held in trust and £5,050,000 (2016: £4,195,000) to Virgin Money plc in relation to services provided and trading balances.

At 31 December 2017 the Company was owed £5,051,000 (2016: £4,202,000) by the Issuer in relation to trading balances.

# Gosforth Mortgages Trustee 2016-1 Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

### 12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a subsidiary of Gosforth Holdings 2016-1 Limited, a company registered in England and Wales. The smallest group to consolidate the results of the Company is Gosforth Holdings 2016-1 Limited. These financial statements can be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ.

The Company's ultimate parent is The Law Debenture Intermediary Corporation plc, a company registered in England and Wales, the shares being held under a trust arrangement. The Company does not consider The Law Debenture Intermediary Corporation plc to be the controlling party.

Under IFRS, the Company's financial statements are consolidated into the financial statements of Virgin Money Holdings (UK) plc in accordance with IFRS 10 'Consolidated Financial Statements'. This is the largest group to consolidate the results of the Company. Copies of Virgin Money Holdings (UK) plc consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ.

The Company's ultimate controlling party is Virgin Money Holdings (UK) plc.

### 13. FUTURE ACCOUNTING DEVELOPMENTS

A number of new accounting standards and amendments to accounting standards have been issued by the IASB, however are not yet effective and have not been early adopted by the Company. Those which may be relevant to the Company are set out below.

<b>Pronouncement</b>	<b>Nature of change</b>	<b>IASB effective date</b>
IFRS 15 'Revenue from Contracts with Customers'	IFRS 15 replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' as a comprehensive standard to address current inconsistencies in accounting practice for revenue recognition. Financial instruments and other contractual rights or obligations within the scope of IFRS 9 are excluded from the scope of this standard. The Company has reviewed the requirements of the new standard and it is not expected to have a significant impact, as all of the Company's revenue is generated from financial instruments.	1 January 2018 (endorsed on 22 September 2016)
IFRS 9 'Financial Instruments'	IFRS 9 'Financial Instruments' replaces the existing standard for recognition and measurement of financial instruments. The standard revises the measurement categories for financial assets, replaces the 'incurred loss' approach to impairment losses with an expected credit loss methodology and introduces new disclosure requirements. The Company has reviewed the requirements of the standard and believes that adoption of this standard will not result in a material impact to the financial reporting of its financial instruments.	1 January 2018 (endorsed on 22 November 2016)