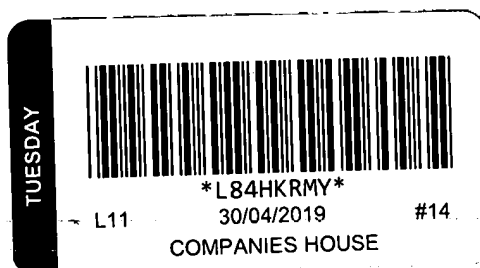


Registered Number 9861452

GOSFORTH MORTGAGES TRUSTEE 2016-1 LIMITED  
Annual Report and Financial Statements  
31 December 2018



# Gosforth Mortgages Trustee 2016-1 Limited

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# Gosforth Mortgages Trustee 2016-1 Limited

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## COMPANY INFORMATION

### DIRECTORS

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

### COMPANY SECRETARY

Law Debenture Corporate Services Limited

### COMPANY NUMBER

9861452

### REGISTERED OFFICE

Fifth Floor  
100 Wood Street  
London  
EC2V 7EX

### PRINCIPAL PLACE OF BUSINESS

Jubilee House  
Gosforth  
Newcastle upon Tyne  
NE3 4PL

### INDEPENDENT AUDITORS

Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

# Gosforth Mortgages Trustee 2016-1 Limited

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## DIRECTORS' REPORT

For the year ended 31 December 2018

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

### 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 pool 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 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 (2017: £nil). The Directors do not recommend a final dividend for the year (2017: £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 2018

### EMPLOYEES

The Company does not have any employees (2017: 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 2018 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 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.

### 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 2018

### 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 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 in accordance with International Accounting Standard (IAS) 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance; and
- state that the Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

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

### 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 Companies Act 2006.

PricewaterhouseCoopers LLP resigned as auditor of the Company on 22 October 2018. The Board of Virgin Money Holdings (UK) plc recommended Ernst & Young LLP (EY) be appointed for the Virgin Money Group of entities (including the Company) effective for periods ending on or after 31 December 2018. The Company's Board subsequently approved a resolution proposing the appointment of EY as the Company's auditors.

As a result, EY have been appointed as auditors of the Company in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 26 April 2019 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

### Opinion

We have audited the financial statements of Gosforth Mortgages Trustee 2016-1 Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

# Gosforth Mortgages Trustee 2016-1 Limited

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

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### Responsibilities of Directors

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 and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

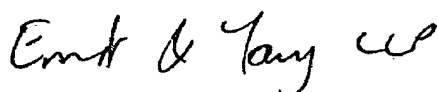
### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



*Steven Robb (Senior statutory auditor)*

For and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

26 April 2019



## Gosforth Mortgages Trustee 2016-1 Limited

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### STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'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 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.

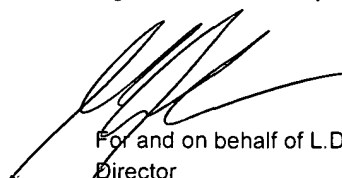
# Gosforth Mortgages Trustee 2016-1 Limited

## BALANCE SHEET As at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Assets</b>			
Cash and cash equivalents	6	33,555	43,472
Receivables	7	5,698	5,056
<b>Total assets</b>		<b>39,253</b>	<b>48,528</b>
<b>Liabilities</b>			
Payables	8	39,253	48,528
<b>Total liabilities</b>		<b>39,253</b>	<b>48,528</b>
<b>Equity</b>			
Share capital	9	-	-
Retained earnings		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>39,253</b>	<b>48,528</b>

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

The financial statements on pages 7 to 22 were approved by the Board of Directors on 26 April 2019 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 2018

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2017	-	-	-
Result and total comprehensive income for the year	-	-	-
Balance as at 31 December 2017	-	-	-
Balance as at 1 January 2018	-	-	-
Result and total comprehensive income for the year	-	-	-
Balance as at 31 December 2018	-	-	-

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 2018

	2018 £'000	2017 £'000
<b>Result before taxation</b>	-	-
(Increase) in receivables	(642)	(854)
(Decrease) in payables	(9,275)	(15,820)
<b>Net cash (used in) operating activities</b>	<b>(9,917)</b>	<b>(16,674)</b>
Net (decrease) in cash and cash equivalents	(9,917)	(16,674)
Cash and cash equivalents at the beginning of the year	43,472	60,146
<b>Cash and cash equivalents at the end of the year</b>	<b>33,555</b>	<b>43,472</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 2018

### 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 accounting policies set out have been applied consistently to all years presented in these financial statements with the exception of new accounting policies in respect of IFRS 9 'Financial Instruments', which was adopted on 1 January 2018 and has not been applied retrospectively. IFRS 15 'Revenue from Contracts with Customers' was adopted during the year, but did not have a material impact on the Company.

#### **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 Financial assets and financial liabilities**

Classification is based on the objectives of the Company's business model for managing its financial assets and the contractual cash flow characteristics of the instruments.

The business model reflects how the Company manages the assets in order to generate cash flows. One of the following business models is identified for each financial instrument depending on how the risks are managed, past experience with the financial asset and how performance is measured and reported:

- hold to collect: it is intended to collect the contractual cash flows from the assets (Amortised cost classification);
- hold to collect and to sell: it is intended to collect both the contractual cash flows and cash flows arising from the sale of the asset (FVOCI classification); or
- hold to sell: it is intended to sell the financial asset in the short to medium term, or the asset is designated FVPL to minimise an accounting mismatch (FVPL classification).

# Gosforth Mortgages Trustee 2016-1 Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **1.6 Financial assets and financial liabilities (continued)**

Where the business model is 'held to collect' or 'held to collect and sell' the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). 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 are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company's cash and cash equivalents and receivables are classified as financial assets at amortised cost. This classification is determined by the business model under which the Company uses the assets (held to collect business model) and the nature of the assets' cash flows. The cash flows have been determined to be solely payments of principal and interest, reflecting the basic lending arrangement.

The Company's payables are classified as financial liabilities at amortised cost.

Both financial assets at amortised cost and financial liabilities are initially recognised at fair value including direct and incremental transaction costs. Purchases and sales of financial assets are recognised on trade date. Subsequent recognition is at amortised cost using the effective interest method less any provision for impairment.

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Where quoted prices are not available, fair value is based upon cash flow models, which use wherever possible independently sourced observable market parameters such as interest rate yield curves. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

#### **1.7 Derecognition of financial instruments**

Derecognition of financial assets and liabilities is the point at which the Company removes an asset or liability from its balance sheet. The Company's policy is to derecognise financial assets only when the contractual right to the cash flows expires. The Company derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled, has expired or is transferred to a third party.

#### **1.8 Impairment losses**

The Company assesses all financial assets and off-balance sheet commitments for impairment at each reporting date. An Expected Credit Loss (ECL) is calculated based on changes in credit quality since initial recognition. A 12 month or lifetime ECL is recognised depending on whether a significant increase in credit risk (SICR) has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The nature of the structured transaction which the Company is party to, means that the risk of default on its assets is very low, and consequently an expected credit loss has not been recognised.

#### **1.9 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.

# Gosforth Mortgages Trustee 2016-1 Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 1. ACCOUNTING POLICIES (CONTINUED)

#### **1.10 Foreign currency translation**

The Company's financial statements are presented in Sterling, which is the functional currency of the Company, rounded to the nearest thousand pounds sterling (£1,000) unless otherwise stated.

#### **1.11 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.

#### **1.12 Taxation**

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

#### **1.13 Changes in accounting policy**

On 1 January 2018, the Company adopted IFRS 9 'Financial Instruments' which replaces IAS 39 'Financial Instruments: Recognition and Measurement'. This new accounting standard has three core areas of change: Classification and Measurement; Hedge Accounting; and Impairment. IFRS 9 has not had a material impact on the Company.

Cash and cash equivalents and receivables, which were previously classified as 'loans and receivables' are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified as amortised cost. There has not been a change to the measurement of these assets on adoption of IFRS 9.

In 2018, the Company also 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 2018.

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 14. 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.

#### **1.14 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.

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

### 2. INTEREST AND SIMILAR INCOME

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Bank interest receivable	110	7
Bank interest allocated to the beneficial owners of the Trust Property	(110)	(7)
	-	-

### 3. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Fees payable for the audit of the current year annual report and financial statements	5	5
Other administrative expenses	1,031	1,237
Expenses recharged to the beneficial owners of the Trust Property	(1,036)	(1,242)
	-	-

Audit fees were paid to Ernst and Young LLP (2017: PricewaterhouseCoopers LLP).

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 (2017: nil). No emoluments were paid to the Directors for their services to the Company during the year (2017: £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 £5,453 (2017: £5,629) 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:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'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 2018

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

2018	Financial liabilities at amortised cost £'000	Financial assets at amortised cost £'000	Total £'000
<b>Financial assets</b>			
Cash and cash equivalents	-	33,555	33,555
Receivables	-	5,698	5,698
<b>Total financial assets</b>	-	<b>39,253</b>	<b>39,253</b>
<b>Financial liabilities</b>			
Payables	39,253	-	39,253
<b>Total financial liabilities</b>	<b>39,253</b>	-	<b>39,253</b>

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>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>48,528</b>

### 6. CASH AND CASH EQUIVALENTS

	2018 £'000	2017 £'000
Cash and cash equivalents	33,555	43,472

The Company holds deposits of £33,555,000 (2017: £43,472,000) under Guaranteed Investment Contracts which pay variable rates of interest based upon one month Sterling LIBOR. These deposits meet the criteria 'Permitted Investments' as defined in the offering circular and mature within one month.

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 7. RECEIVABLES

	2018	2017
	£'000	£'000
Amounts owed by Group undertakings	5,697	5,051
Other receivables	1	5
	<u>5,698</u>	<u>5,056</u>

### 8. PAYABLES

	2018	2017
	£'000	£'000
Amounts due to beneficial owners of Trust Property	39,246	48,522
Trade and other payables	7	6
	<u>39,253</u>	<u>48,528</u>

All beneficial owners of the Trust Property are related parties and £33,555,000 was repaid on 10 January 2019 (£43,472,000 was repaid on 10 January 2018).

### 9. SHARE CAPITAL

	2018	2017
	£	£
<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 (2017: £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. As permitted by the Companies Act 2006, the Company's Articles of Association do not contain any references to authorised share capital.

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 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.

#### 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 not credit-impaired and none have experienced a significant increase in credit risk.

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.

#### 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:

2018	UK £'000	France £'000	Total £'000
Cash and cash equivalents	33,503	52	33,555
Receivables	5,698	-	5,698
	<b>39,201</b>	<b>52</b>	<b>39,253</b>

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>

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 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 table below 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>2018</b>	
<b>Assets</b>	
Cash and cash equivalents	33,555
Receivables	5,698
<b>Total assets</b>	<b>39,253</b>
<b>Liabilities</b>	
Payables	39,253
<b>Total liabilities</b>	<b>39,253</b>
<b>Net liquidity gap</b>	<b>-</b>
	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>

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Fair values of financial assets and financial liabilities recognised at amortised cost

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.

2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000	Book Value £'000
<b>Financial assets</b>					
Cash and cash equivalents	-	33,555	-	33,555	33,555
Receivables	-	5,698	-	5,698	5,698
<b>Financial liabilities</b>					
Payables	-	39,253	-	39,253	39,253

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

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.

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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*

2018	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
<b>Assets</b>				
Sterling	33,555	-	5,698	39,253
<b>Liabilities</b>				
Sterling	-	-	39,253	39,253
<hr/>				
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

All floating rate assets re-price monthly.

#### 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.

# Gosforth Mortgages Trustee 2016-1 Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 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 2018 £'000	Year ended 31 December 2017 £'000
<b>Interest and similar income</b>		
Interest received on bank account held at Virgin Money plc	104	7

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
<b>Administrative expenses</b>		
Cash manager fee	5	5
Administrator fees	1,019	1,151
	<b>1,024</b>	<b>1,156</b>

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).

	2018 £'000	2017 £'000
<b>Assets</b>		
Cash and cash equivalents	33,503	43,428

At 31 December 2018 the Company owed £3,862,000 (2017: £2,697,000) to the Issuer and £29,693,000 (2017: £40,775,000) to the Virgin Money plc relating to cash held in trust and £5,690,000 (2017: £5,050,000) to Virgin Money plc in relation to services provided and trading balances.

At 31 December 2018 the Company was owed £5,686,000 (2017: £5,051,000) 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 2018

### 12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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. A number of transactions are entered into with Virgin Money plc as part of the Company's normal day to day business.

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. Copies of the financial statements of The Law Debenture Intermediary Corporation plc may be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ. 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 smallest and 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 CYBG plc.

### 13. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events between 31 December 2018 and the date of approval of the financial statements which would require a change or additional disclosure in the financial statements.

### 14. FUTURE ACCOUNTING DEVELOPMENTS

A number of new accounting standards and amendments to accounting standards have been issued by the IASB, are not yet effective and have not been early adopted by the Company. None of these new standards or amendments to accounting standards are expected to be relevant to the Company.