

**Gosforth Mortgages Trustee 2011-1 Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2011**

**Registered Number 07117181**

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Gosforth Mortgages Trustee 2011-1 Limited  
Annual report and financial statements  
for the year ended 31 December 2011  
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# **Gosforth Mortgages Trustee 2011-1 Limited**

## **Directors' report for the year ended 31 December 2011**

The Directors present their report and the audited financial statements of Gosforth Mortgages Trustee 2011-1 Limited (the "Company") for the year ended 31 December 2011

### **Principal activities**

The Company forms part of a securitisation structure that was established primarily as a means of raising funding for Northern Rock plc.

The activities of the Company and of the Gosforth Holdings 2011-1 Limited group (of which the company is a subsidiary) are managed in accordance with the securitisation transaction documents which can be found at the website address <http://companyinfo.northernrock.co.uk/treasury/securitisation/mortgages.asp>

The Company was incorporated as Gosforth Mortgages Trustee 2010-1 Limited in England and Wales on 5 January 2010 as a private limited company, with an issued share capital of 1 fully paid up ordinary share of £1. On 4 February 2011 the Company changed its name from Gosforth Mortgages Trustee 2010-1 Limited to Gosforth Mortgages Trustee 2011-1 Limited. The registered office is the same as the ultimate parent company.

The Company was dormant for the period from 5 January 2010 to 18 April 2011. The Company commenced operations on 18 April 2011 when the legal title to £1,328,000,000 of residential mortgage loans were assigned to it by Northern Rock plc. On that date, Gosforth Funding 2011-1 plc purchased a share of the beneficial interest in the trust property from Northern Rock plc of £1,282,000,000. From 18 April 2011 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. The trust property comprises a portfolio of loans secured on residential property in England, Scotland and Wales, interest and principal paid by borrowers on those loans, and all other amounts received under those loans. The beneficial owners of the trust property are Northern Rock plc, the originators of the trust property and Gosforth Funding 2011-1 plc, a fellow subsidiary company. 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. No future changes in activity are envisaged.

### **Review of the business**

Since its incorporation, the Company has not engaged in any material activity other than those incidental to the settlement of the Trust Property on the Mortgages Trustee.

On 1 January 2012, Virgin Money Holdings (UK) Limited acquired 100% of the ordinary share capital of Northern Rock plc.

### **Results and dividends**

The results for the year are set out on page 7. All income and expenditure relating to the assets of the Company is distributed to the beneficial owners of the Trust property, therefore the Company has made no profit or loss. The Directors do not recommend the payment of a dividend (2010: £nil).

## **Gosforth Mortgages Trustee 2011-1 Limited**

### **Future outlook**

The future results of the Company are determined by the pool of loans which it holds in trust for Gosforth Funding 2011-1 plc ("the issuer"). Any significant changes in the level of the underlying mortgage redemptions or removals will have an impact upon the Company's principal receipts and ultimately the share of this amount received by the issuer. A significant increase in arrears and/or repossession losses could also affect future results.

Unless previously redeemed in full the issuer shall redeem each class of notes at their then principal amount outstanding together with all accrued interest on the final maturity date. There is a provision for the issuer to optionally redeem the notes in full before the final maturity day of 24 April 2047 as follows:

- On the relevant Step-Up Date for a Class of Notes and having given not more than 30 nor fewer than five days' prior written notice to the Company and the Noteholders of that relevant Class of Notes,
- On any Payment Date on which the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes is less than 10 per cent of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date and having given not more than 30 nor fewer than five days' notice to the Company and the Noteholders.

The notes have a final redemption date of 24 April 2047, with a call option on 24 April 2016 at which point the issuer may choose to redeem the outstanding notes. If the call option is not exercised on this date, there is a doubling of the margin. The Directors are of the opinion that the call option will be exercised.

### **Key Performance Indicators (KPIs)**

As the nature of the business and its results for the period are fixed by reference to the securitisation transaction documents, the Company's Directors are of the opinion that the main KPIs relate to compliance with these transaction documents.

A monthly checklist is completed and reviewed detailing all of the key requirements that must be met under the various legal agreements which underpin the Gosforth Holdings 2011-1 Limited group structure. The items covered are predominantly consideration of whether there have been breaches of the transaction documents, however there are certain specific tangible measures which are verified and which are relevant to the Group including assessing whether:

- There is a potential interest rate shortfall in the next period i.e. whether expected available revenue income is sufficient to meet interest payable in respect of AAA notes,
- All counterparties involved in the transaction have a rating that remains adequate to support their ongoing roles in the programme. This is monitored within the monthly Secured Funding Management Information Pack prepared by Northern Rock plc management,

The company has met these requirements throughout the current year.

Additionally, any changes to the credit ratings assigned to the loan notes in issue are monitored. During the period, there were no changes to the credit ratings of any of the loan notes.

# Gosforth Mortgages Trustee 2011-1 Limited

## **Financial 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

### *Foreign exchange risk*

"Foreign exchange risk" arises when exchange rate fluctuations change the Sterling equivalent value of assets, liabilities, income and expense denominated in foreign currencies. The Company has no transactions denominated in foreign currencies, hence there is no foreign exchange risk.

### *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 the correlation of interest rates between different financial instruments (often referred to as basis risk). The Company is only obliged to distribute what it receives to the beneficial owners of the Trust property, hence there is no interest rate risk.

### *Credit risk*

"Credit risk" is the 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 only exposure is represented by the cash deposit with a third party bank. If this deposit was not recoverable, this may affect the Company's ability to meet financial obligations due to the beneficial owners of the Trust property.

### *Liquidity risk*

"Liquidity risk" arises from a mismatch in the cash flows generated from current and expected assets, liabilities and derivatives. 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 on demand terms so that distributions can be made in a prompt fashion.

### *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 document. This function is outsourced to Northern Rock plc.

## **Directors**

The Directors who served during the year and up to the date of the signing of the financial statements were

Ian Bowden

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 holding company, The Law Debenture Intermediary Corporation plc.

## **Employees**

The Company does not have any employees.

## **Policy and practice on payment of creditors**

The Company's policy with regard to the payment of suppliers is to negotiate and agree terms and conditions with all its suppliers, which include the giving of an undertaking to pay suppliers within an agreed payment period.

The average creditor payment period at 31 December 2011 was 13 days.

# Gosforth Mortgages Trustee 2011-1 Limited

## Statement of Directors' responsibilities

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 the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the Company financial statements on a 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware.

Each Director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board



For and on behalf of Law Debenture Corporate Services Limited, Company Secretary  
29 June 2012

Company registered office  
Fifth Floor  
100 Wood Street  
London  
EC2V 7EX

# **Gosforth Mortgages Trustee 2011-1 Limited**

## **Independent auditors' report to the members of Gosforth Mortgages Trustee 2011-1 Limited**

We have audited the financial statements of Gosforth Mortgages Trustee 2011-1 Limited for the year ended 31 December 2011 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement, the Statement of accounting policies and the related notes. 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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies within the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **Opinion on financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its result and cash flows 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Gosforth Mortgages Trustee 2011-1 Limited**

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

We have nothing to report in respect of the following matters where 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



David Roper (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
29 June 2012



## **Gosforth Mortgages Trustee 2011-1 Limited**

### **Statement of comprehensive income for the year ended 31 December 2011**

	Note	Year ended 31 December 2011 £'000	Period from 5 January 2010 to 31 December 2010 £'000
Other operating income		720	-
Administrative expenses	1	(720)	-
<b>Profit before taxation</b>			-
Taxation	2	-	-
<b>Profit for the period attributable to equity shareholders and total comprehensive income for the period</b>		-	-

# Gosforth Mortgages Trustee 2011-1 Limited

## Balance sheet as at 31 December 2011

	Note	31 December 2011 £'000	31 December 2010 £'000
<b>Assets</b>			
Cash and cash equivalents	4	35,770	-
<b>Total assets</b>		<b>35,770</b>	<b>-</b>
<b>Liabilities</b>			
Payables	5	35,770	-
<b>Total liabilities</b>		<b>35,770</b>	<b>-</b>
<b>Equity</b>			
Share capital	6	-	-
Retained earnings		-	-
<b>Total equity</b>		<b>-</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>35,770</b>	<b>-</b>

The financial statements on pages 7 to 22 were approved by the Board of Directors on 29 June 2012 and were signed on behalf of the Board of Directors by



For and on behalf of LDC Securitisation Director No 1 Limited

**Director**

Gosforth Mortgages Trustee 2011-1 Limited is registered in England and Wales under Company Number 07117181

## Gosforth Mortgages Trustee 2011-1 Limited

### Statement of changes in equity for the year ended 31 December 2011

	Year ended 31 December 2011 £'000	Period from 5 January 2010 to 31 December 2010 £'000
Profit and total comprehensive income for the period	-	-
Balance as at beginning of year	-	-
<b>Balance as at 31 December 2011</b>	<b>-</b>	<b>-</b>

All income and expenditure relating to the assets of the Company is distributed to the beneficial owners of the Trust property, therefore the Company has made no profit or loss. The Directors do not recommend the payment of a dividend.

## **Gosforth Mortgages Trustee 2011-1 Limited**

### **Cash flow statement for the year ended 31 December 2011**

	<b>Year ended 31 December 2011 £'000</b>	<b>Period from 5 January 2010 to 31 December 2010 £'000</b>
<b>Net cash inflow from operating activities</b>		
Profit before taxation	-	-
<b>Movements in operating liabilities</b>		
Movements in payables	35,770	-
<b>Net increase in cash and cash equivalents</b>	<b>35,770</b>	<b>-</b>
Opening cash and cash equivalents	-	-
<b>Closing cash and cash equivalents</b>	<b>35,770</b>	<b>-</b>

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

# Gosforth Mortgages Trustee 2011-1 Limited

## Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

### **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations, as endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis under the historical cost convention. A summary of the more important Company accounting policies is set out below.

### **The servicer and the administration agreement**

The Company and the beneficial owners of the Trust property have appointed Northern Rock plc under the terms of the administration agreement as the servicer of the mortgage loans. The ability of the Company to make the payments due to the beneficial owners of the Trust property is in part dependent upon the servicer administering the mortgage balances (which form the Trust property) and transactions affecting the mortgage balances in a prompt and accurate manner.

The servicer administers and services the mortgage loans and their related security in accordance with its administration, arrears and enforcement policies and procedures (collectively referred to as the "administration procedures").

Administration procedures include monitoring compliance with and administering the mortgage loan features and facilities applicable to the mortgage loans, responding to customer inquiries and management of mortgage loans in arrears.

The appointment of the servicer may be terminated by the Company or the Security Trustee immediately upon written notice to the servicer, on the occurrence of certain events (each a "servicer termination event") including the occurrence of an insolvency event in relation to the servicer.

Upon termination of the servicer, the Security Trustee has agreed to use their reasonable endeavours to appoint a substitute servicer.

### **Other operating income**

Other operating income represents the interest income received on the pool of loans held in trust by the Company. Interest income and expense are recognised in the Statement of comprehensive income for all instruments measured at amortised cost using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or a financial liability, and allocates the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

## **Gosforth Mortgages Trustee 2011-1 Limited**

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

### **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 and interim dividends are recognised in equity in the period in which they are paid.

### **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.

### **Taxation**

Income tax payable on taxable profits ('current tax') is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowances is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

The tax charge for the year for this company has been calculated in accordance with the permanent regime. Under the permanent regime, as the tax charge is based purely on contractually retained profit, the tax charge will not be affected by any profits or losses arising on derivatives and other financial instruments. This means that under IAS12, no deferred tax will arise on any differences between cost and fair value.

### **Segmental reporting**

The Directors of the Company consider that the Company has one operating segment and therefore is not required to produce additional segmental disclosure.

### **Implementation of new standards and amendments to published standards and interpretations effective during 2011**

The following new standards, amendments to standards or interpretations are also mandatory for the first time for financial years during 2011 and have been endorsed for adoption by the EU, but have no material financial impact on the Company. These are applicable from 1 January 2011 unless otherwise stated.

- Amendment to IAS 24, Related party disclosures
- Amendment to IFRIC 14, IAS 19 – Prepayments of a minimum funding requirement
- Amendment to IAS 32 Financial instruments. Presentation on classification of rights issues
- Amendment to IFRS 1, First time adoption of IFRS. This is effective for annual periods beginning on or after 1 July 2010
- Annual improvements 2010
- IFRIC 19, Extinguishing financial liabilities with equity instruments

## **Gosforth Mortgages Trustee 2011-1 Limited**

### **Standards, interpretations and amendments to published standards that are not yet effective and the early adoption of standards**

The Company has not early adopted any standards or interpretations during 2011

The following new standards, amendments to standards or interpretations that are relevant to the Company have been issued and have been endorsed by the EU but are not effective for financial years beginning 1 January 2011

- Amendment to IAS 32 Financial Instruments Presentation on Offsetting financial assets and financial liabilities
- Amendment to IFRS 7, Financial Instruments Disclosures on derecognition

The following new standards, amendments to standards or interpretations that are relevant to the Company have been issued but are not effective for financial years beginning 1 January 2011 and have not been endorsed by the EU

- IFRS 9, Financial instruments
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosures of interests in other entities
- IFRS 13, Fair value measurement
- IAS 27, Separate financial statements
- IAS 28, Investments in associates and joint ventures
- Amendment to IAS 1, Presentation of financial statements, on other comprehensive income (OCI)
- Amendment to IAS 12, 'Income taxes' on deferred tax
- Amendments to IFRS 1, 'First time adoption' on hyperinflation and fixed dates
- IAS 19, (revised 2011), Employee benefits

# Gosforth Mortgages Trustee 2011-1 Limited

## Notes to the financial statements for the year ended 31 December 2011

### 1 Administrative expenses

	Year ended 31 December 2011 £'000	Period from 5 January 2010 to 31 December 2010 £'000
Auditors' remuneration – statutory audit services	12	-
Other administrative expenses	708	-
	720	-

Other administrative expenses primarily relate to the fee payable to the administrator (Northern Rock plc) in payment for the administering of the mortgage loans

The Company has no employees. No emoluments were paid to the Directors by the Company during the year. There were no non-audit fees paid to the Company's auditors during the year.

### 2 Taxation

The income tax expense for the year comprises:

The taxation charge relates to the profit for the year as follows

	Year ended 31 December 2011 £'000	Period from 5 January 2010 to 31 December 2010 £'000
Profit for the year ended 31 December	-	-
Tax on this calculated at the standard rate of corporation tax of 26.5% (2010: 28.0%)	-	-
Income tax charge for the period	-	-



# Gosforth Mortgages Trustee 2011-1 Limited

## 2 Taxation (continued)

### Analysis of tax charge in the year

	Year ended 31 December 2011	Period from 5 January 2010 to 31 December 2010
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax on taxable profit for the year	-	-

During the period the Company elected into the permanent regime for the taxation of securitisation companies, under which they are taxed by reference to their contractually retained profits (to the extent that they are realised). The tax charge for the period for the Company has been calculated in accordance with the permanent regime. Under the permanent regime, as the tax charge is based purely on contractually retained profit the tax charge will not be affected by any profits or losses arising on derivatives and other financial instruments. This means that under IAS12, no deferred tax will arise on any differences between cost and fair value.

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly the Company's profit for this accounting period is taxed at an effective rate of 26.5%.

A number of further changes to the UK corporation tax system were announced in the March 2012 budget statement. A reduction in the main rate of corporation tax to 24% from 1 April 2012 was substantively enacted. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements.

## 3 Analysis of financial assets and financial liabilities by measurement basis

	Financial liabilities at amortised cost	Loans and receivables	Total
2011	£'000	£'000	£'000
<b>Financial assets</b>			
Cash and cash equivalents	-	35,770	35,770
<b>Total financial assets</b>	-	35,770	35,770
<b>Financial liabilities</b>			
Payables	35,770	-	35,770
<b>Total financial liabilities</b>	35,770	-	35,770
Equity			-

## Gosforth Mortgages Trustee 2011-1 Limited

Total equity and liabilities			35,770
<b>3 Analysis of financial assets and financial liabilities by measurement basis (continued)</b>			
2010	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
<b>Financial assets</b>			
Cash and cash equivalents	-	-	-
<b>Total financial assets</b>	-	-	-
<b>Financial liabilities</b>			
Payables	-	-	-
<b>Total financial liabilities</b>	-	-	-
Equity	-	-	-
<b>Total equity and liabilities</b>	-	-	-

## 4 Cash and cash equivalents

	2011 £'000	2010 £'000
Cash and cash equivalents	35,770	-
Current	35,770	-
Non-current	-	-
	35,770	-

The Company holds a deposit of £35,770,454 (2010 £nil) at a third party bank which pays variable rates of interest based upon one month quoted LIBOR

## 5 Payables

	2011 £'000	2010 £'000
Amounts due to beneficial owners of Trust property	35,770	-

## Gosforth Mortgages Trustee 2011-1 Limited

All beneficial owners of the Trust Property are related parties and the full balance has been repaid on 11 January 2012

### 6 Share capital

	2011	2010
	£	£
<b>Issued and fully paid share capital</b>		
1 Ordinary shares of £1 each	1	1

All share capital was issued at par and was fully paid up. No dividends were paid during 2011 or 2010

### 7 Financial risk management

#### 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.

#### 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 based on the domicile of the counterparty.

The Company's credit exposure lies solely in the UK in both 2011 and 2010.

#### Credit risk

"Credit risk" is the 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 only exposure is represented by the cash deposit with a third party bank. If this deposit was not recoverable, this may affect the Company's ability to meet financial obligations due to the beneficial owners of the Trust property.

# Gosforth Mortgages Trustee 2011-1 Limited

## 7 Financial risk management (continued)

### Liquidity risk

"Liquidity risk" arises from a mismatch in the cash flows generated from current and expected assets and liabilities. 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 period at the balance sheet date to the contractual maturity date.

	Within 3 months	After 3 months but within 6 months	After 6 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
2011	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>						
Cash and cash equivalents	35,770	-	-	-	-	35,770
<b>Total assets</b>	<b>35,770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,770</b>
<b>Liabilities</b>						
Payables	35,770	-	-	-	-	35,770
<b>Total liabilities</b>	<b>35,770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,770</b>
<b>Net liquidity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Within 3 months	After 3 months but within 6 months	After 6 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
2010	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>						
Cash and cash equivalents	-	-	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>						
Payables	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net liquidity gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Gosforth Mortgages Trustee 2011-1 Limited

## 7 Financial risk management (continued)

### 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

	Fair Value	Book Value
2011	£'000	£'000
<b>Financial assets</b>		
Cash and cash equivalents	35,770	35,770
<b>Total financial assets</b>	<b>35,770</b>	<b>35,770</b>

	Fair Value	Book Value
2010	£'000	£'000
<b>Financial assets</b>		
Cash and cash equivalents	-	-
<b>Total financial assets</b>	<b>-</b>	<b>-</b>

	Fair Value	Book Value
2011	£'000	£'000
<b>Financial liabilities</b>		
Payables	(35,770)	(35,770)
<b>Total financial liabilities</b>	<b>(35,770)</b>	<b>(35,770)</b>

	Fair Value	Book Value
2010	£'000	£'000
<b>Financial liabilities</b>		
Payables	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>

## Gosforth Mortgages Trustee 2011-1 Limited

### 7 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). Interest rate profile of financial assets and liabilities

	Floating rate	Non interest bearing	Total
2011	£'000	£'000	£'000
<b>Assets</b>			
Sterling	35,770	-	35,770
	35,770	-	35,770
<b>Liabilities</b>			
Sterling	-	35,770	35,770
	-	35,770	35,770

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

	Floating rate	Non interest bearing	Total
2010	£'000	£'000	£'000
<b>Assets</b>			
Sterling	-	-	-
	-	-	-
<b>Liabilities</b>			
Sterling	-	-	-
	-	-	-

All floating rate assets re-price monthly

## Gosforth Mortgages Trustee 2011-1 Limited

### 8 Related party transactions

A number of transactions are entered into with related parties as part of the Company's normal day to day business. These include a cash management fee payable and an administration fee payable to Northern Rock plc in its capacity as administrator and amounts held in cash which are due to be paid up to Northern Rock plc and Gosforth Funding 2011-1 plc as beneficial owners of the trust.

The outstanding balances at the year end and related income and expense for the year are set out below

	2011	2010
	£'000	£'000
<b>Amounts due to beneficial owners of Trust Property</b>		
Amount due at beginning of period	-	-
Net amounts received by the Trust, not yet paid	35,770	-
<b>Amount due at 31 December</b>	<b>35,770</b>	<b>-</b>
<b>Expense</b>	<b>-</b>	<b>-</b>

	2011	2010
	£'000	£'000
<b>Administration fee payable to Northern Rock plc</b>		
Fee accrual at beginning of year	-	-
Amounts charged net of amounts paid	74	-
<b>Fee accrual at 31 December</b>	<b>74</b>	<b>-</b>
<b>Expense</b>	<b>689</b>	<b>-</b>

	2011	2010
	£'000	£'000
<b>Cash management fee payable to Northern Rock plc</b>		
Fee accrual at beginning of year	-	-
Amounts charged net of amounts paid	2	-
<b>Fee accrual at 31 December</b>	<b>2</b>	<b>-</b>
<b>Expense</b>	<b>15</b>	<b>-</b>

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## **Gosforth Mortgages Trustee 2011-1 Limited**

### **9 Ultimate parent undertaking and controlling party**

The Company was incorporated and is domiciled in England and Wales

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 Fifth Floor, 100 Wood Street, London, EC2V 7EX. The Company does not consider The Law Debenture Intermediary Corporation plc to be the controlling party.

As at 31 December 2011, Northern Rock plc considered Her Majesty's Government to be its ultimate controlling party.

From 1 January 2012, the parent company of Northern Rock plc is Virgin Money Holdings (UK) Limited. No single entity or individual has a controlling interest in Virgin Money Holdings (UK) Limited. The shareholder base of Virgin Money Holdings (UK) Limited includes two shareholders who together own more than 90% of the ordinary shares with the remainder of the shares held by a combination of corporate and private shareholders.

The smallest group to consolidate the results of the Company is Gosforth Holdings 2011-1 Limited and the largest group to consolidate the results of the Company is Northern Rock plc. These accounts can be obtained from Fifth Floor, 100 Wood Street, London, EC2V 7EX.

### **10 Post balance sheet events**

On 1 January 2012, Virgin Money Holdings (UK) Limited acquired 100% of the ordinary share capital of Northern Rock plc.