Registered Number 07117181

GOSFORTH MORTGAGES TRUSTEE 2011-1 LIMITED
Annual Report and Accounts
31 December 2015

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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	07117181
REGISTERED OFFICE	Fifth Floor 100 Wood Street London EC2V 7EX
PRINCIPAL PLACE OF BUSINESS	Jubilee House Gosforth Newcastle upon Tyne NE3 4PL
AUDITOR	KPMG LLP 15 Canada Square London E14 5GL

STRATEGIC REPORT
For the year ended 31 December 2015

The Directors present their Strategic Report for the year ended 31 December 2015.

Gosforth Mortgages Trustee 2011-1 Limited (the "Company") forms part of a securitisation structure that was established primarily as a means of raising funding for Virgin Money plc.

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 Virgin Money plc, the seller of the Trust Property and Gosforth Funding 2011-1 plc, a fellow subsidiary company of the Gosforth Holdings 2011-1 Limited group. 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. The registered office is the same as that of the ultimate parent company.

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://uk.virginmoney.com/virgin/investor-relations/securitisation.jsp

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.

The results for the year are set out on page 9. 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 Company's performance indicators are included within the monthly investor report, which is available at the website address detailed above.

The key performance indicators used by management 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 Company including assessing whether:

- Expected available revenue income is sufficient to meet interest payable in respect of AAA notes issued by Gosforth Funding 2011-1 plc and

- All counterparties involved in the transaction have a rating that remains adequate to support their ongoing roles in the programme.

The Company has met these requirements throughout the current period.

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

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 are provisions 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 Note holders of that relevant Class of Notes;

STRATEGIC REPORT
For the year ended 31 December 2015

- 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 Note holders.

- A change in Tax Law after the Closing Date gives rise to the need to deduct or withhold from any payment of principal or interest or any other amount under any of the Notes any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature.

- A change in Tax Law after the Closing Date causes the Issuer to be required to deduct or withhold from any payment under the relevant Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature.

- A change in Tax Law after the Closing Date causes the Issuer to become subject to United Kingdom corporation tax in an accounting period on an amount which materially exceeds the aggregate Issuer Profit Amount retained during that accounting period.

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 margins for the Class A and Class M notes. Market practice dictates that the call option is likely to be exercised.

THE SERVICER AND THE ADMINISTRATION AGREEMENT
The Company and the beneficial owners of the Trust Property have appointed Virgin Money 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 its reasonable endeavours to appoint a substitute servicer.

PRINCIPAL RISKS AND UNCERTAINTIES
The Company's objective for managing the principal risks and uncertainties it faces is to eliminate them as far as possible. The policies available for the Company to do this are governed by the contractual arrangements that are established in the legal documents when the Company was set up. The Directors of the Company are unable to change these policies. In order to manage and control its risks, the Company has implemented a

STRATEGIC REPORT
For the year ended 31 December 2015

comprehensive set of policies (in accordance with the legal documents) and procedures. The manner in which the principal risks faced by the Company are mitigated is described below:

- **Credit risk**: 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 main external exposure is represented by cash deposits with third party banks. If these deposits were not recoverable, this may affect the Company's ability to meet financial obligations due to the beneficial owners of the Trust Property. The Company's policy is to continually review the ratings of third party banks to ensure that they meet the ratings required by the transaction documents and monitor exposure levels at each bank.

- **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 in instant access accounts so that distributions can be made in a prompt fashion.

- **Operational risk:** 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. This function is outsourced to Virgin Money plc.

- All risk matters are outsourced to Virgin Money plc.

This report was approved by the Board on 17 March 2016 and signed on its behalf by:

For and on behalf of Law Debenture Corporate Services Limited, Company Secretary.
Company registered office:
Fifth Floor
100 Wood Street
London
EC2V 7EX

DIRECTORS' REPORT
For the year ended 31 December 2015

The Directors present their report and the financial statements for the year ended 31 December 2015.

DIVIDENDS
There were no dividends declared and paid during the year (2014: £nil). The Directors do not recommend a final dividend for the year (2014: £nil).

DIRECTORS AND THEIR INTERESTS
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 (appointed 21 December 2015)
L.D.C. Securitisation Director No.1 Limited
L.D.C. Securitisation Director No.2 Limited
Roger Nurse (resigned 21 December 2015)

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.

COMPANY SECRETARY
Law Debenture Corporate Services Limited.

EMPLOYEES
The Company does not have any employees (2014: 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 forecasts 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.

EVENTS AFTER THE REPORTING PERIOD
There are no events after the reporting period.

FUTURE DEVELOPMENTS
No future changes in activities are envisaged.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
Information in relation to financial reporting and financial risk management objectives and policies can be found in note 10.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

DIRECTORS' REPORT
For the year ended 31 December 2015

Company Law requires the Directors to prepare company financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the 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 their profit or loss for that period. In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether they have been prepared in accordance with IFRS as adopted by the EU.

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 its 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 group and to prevent and detect fraud and other irregularities.

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as every Director is aware at the date of this report, there is no relevant audit information needed in preparation of the auditor's report of which the auditor is not aware. The Directors have taken the steps they need to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is also aware of that information.

Pursuant to Section 485 of the Companies Act 2006, KPMG LLP were appointed as the Company's auditor for the year ended 31 December 2015.

Following a tender process for the audit of Virgin Money Holdings (UK) plc (the Company's ultimate controlling party), its subsidiaries and controlled entities that took place in 2015, it was recommended that PricewaterhouseCoopers LLP be appointed as auditor for the Virgin Money Group of entities including the Company effective for periods ending on or after 1 January 2016.

As a result KPMG LLP will not be seeking reappointment as the Company's auditor for the financial year commencing 1 January 2016 and PricewaterhouseCoopers LLP will seek appointment instead.

This report was approved by the Board on 17 March 2016 and signed on its behalf by:

For and on behalf of Law Debenture Corporate Services Limited, Company Secretary.

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

Registered No. 07117181

INDEPENDENT AUDITOR'S 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 2015 set out on pages 9 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU).

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 to 6, 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 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.

John Ellacott (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

17 March 2016

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Note	**2015 £'000**	2014 £'000
Interest and similar income	2	-	-
Net interest income		-	-
Administrative expenses	3	-	-
Profit before taxation		-	-
Taxation	4	-	-
Profit and total comprehensive income for the year attributable to equity shareholders		-	-

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

The notes on pages 13 to 23 form an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Cash and cash equivalents	6	**11,029**	10,736
Receivables	7	**4,555**	2,749
Total assets		**15,584**	13,485
Liabilities			
Payables	8	**15,584**	13,485
Total liabilities		**15,584**	13,485
Equity			
Share capital	9	**-**	-
Retained earnings		**-**	-
Total equity		**-**	-
Total equity and liabilities		**15,584**	13,485

The notes on pages 13 to 23 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 17 March 2016.

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014	-	-	-
Profit and total comprehensive income for the year	-	-	-
Balance as at 31 December 2014	-	-	-
Balance at 1 January 2015	-	-	-
Profit and total comprehensive income for the year	-	-	-
Balance as at 31 December 2015	-	-	-

The notes on pages 13 to 23 form an integral part of these financial statements.

CASH FLOW STATEMENT
For the year ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit before taxation	-	-
Increase in receivables	**(1,806)**	(1,653)
Increase/(decrease) in payables	**2,099**	(5,541)
Net cash from operating activities	**293**	(7,194)
Net increase/(decrease) in cash and cash equivalents	**293**	(7,194)
Cash and cash equivalents at 1 January	**10,736**	17,930
Cash and cash equivalents at 31 December	**11,029**	10,736

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

The notes on pages 13 to 23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. ACCOUNTING POLICIES

1.1 Reporting entity
Gosforth Mortgages Trustee 2011-1 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 Strategic Report and Directors' Report have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2006 applicable to reporting under IFRS.

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

The comparative period is the year ended 31 December 2014, and the current period is the year ended 31 December 2015.

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 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 Deferred consideration
Deferred consideration is the deferred portion of the purchase price for the mortgage portfolio payable by the Company to the Seller on each quarterly payment date. It is equal in amount to the amount of deferred contribution payable by Gosforth Funding 2011-1 plc to the Company on each such date. Accordingly such amounts collected by the Company and passed on to the Seller are not recognised as revenue of the Company.

1.7 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

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 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.

1.11 Changes in accounting policy
New standards, amendments to standards or interpretations adopted

The following new standards and amendments to standards are mandatory for annual reporting periods on or after 1 January 2015, have been endorsed for adoption by the EU and have been adopted by the Company during the year ended 31 December 2015:

The following amendment to IFRS 13 is mandatory for annual reporting periods on or after 1 January 2015, has been endorsed for adoption by the EU and has been adopted by the Company during the year ended 31 December 2015:

> *Amendment to IFRS 13, 'Fair value measurement'*

The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

This amendment did not have a significant impact on the Company when adopted.

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

New accounting standards issued by the IASB which are effective in future periods are presented in note 13.

1.12 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 2015 £'000	Year ended 31 December 2014 £'000
Bank interest receivable	**14**	21
Bank interest allocated to the beneficial owners of the Trust Property	**(14)**	(21)
	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

3. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Fees payable for the audit of the current year annual report and accounts	6	4
Other administrative expenses	394	493
Expenses recharged to the beneficial owners of the Trust Property	(400)	(497)
	-	-

All auditor's remuneration relates to statutory audit services.

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

The Company has no employees (2014: nil). No emoluments were paid to the Directors for their services to the Company during the year. A management fee for administration services is charged by Virgin Money plc (see note 11) for a range of services including the provision of Roger Nurse and Adrian Sargent. A management fee of £5,000 (2014: £5,000) per annum is also charged by Law Debenture Corporate Services for a range of services including provision of L.D.C. Securitisation Director No.1 and L.D.C. Securitisation Director No.2. There were no non-audit fees paid to the Company's auditor during the year (2014: £nil).

4. TAXATION

Analysis of tax charge for the year:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Current tax:		
UK corporation tax on taxable profit for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

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

2015	**Financial liabilities at *amortised cost* £'000**	**Loans and *receivables* £'000**	**Total £'000**
Financial assets			
Cash and cash equivalents	-	**11,029**	**11,029**
Receivables	-	**4,555**	**4,555**
Total financial assets	-	**15,584**	**15,584**
Financial liabilities			
Payables	**15,584**	-	**15,584**
Total financial liabilities	**15,584**	-	**15,584**

2014	Financial liabilities at amortised cost £'000	Loans and receivables £'000	Total £'000
Financial assets			
Cash and cash equivalents	-	10,736	10,736
Receivables	-	2,749	2,749
Total financial assets	-	13,485	13,485
Financial liabilities			
Payables	13,485	-	13,485
Total financial liabilities	13,485	-	13,485

6. CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Cash and cash equivalents	**11,029**	10,736

The Company holds deposits of £11,029,000 (2014: £10,736,000) under Guaranteed Investment Contracts at suitably rated banks which pay variable rates of interest based upon one month Sterling LIBOR.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

7. RECEIVABLES

	2015 £'000	2014 £'000
Amounts owed by group undertakings	**4,551**	2,747
Accrued interest	**4**	2
	4,555	2,749

8. PAYABLES

	2015 £'000	2014 £'000
Amounts due to beneficial owners of Trust Property	**15,580**	13,480
Trade and other payables	**4**	5
	15,584	13,485

All beneficial owners of the Trust Property are related parties £11,029,000 was repaid on 12 January 2016.

9. SHARE CAPITAL

	2015 £	2014 £
Issued and fully paid share capital		
1 ordinary share of £1	**1**	1

All share capital was issued at par and was fully paid up. Dividends of £nil (2014:£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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

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 in the Strategic Report on pages 3 and 4. 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" 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 main external exposure is represented by cash deposits with third party banks. If these deposits were not recoverable, this may affect the Company's ability to meet financial obligations due to the beneficial owners of the Trust Property.

All financial assets are current and have not been 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 based on the domicile of the counterparty.

The Company's credit exposure lies solely in the UK in both 2015 and 2014.

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 contractual period at the balance sheet date.

2015	Within 3 months £'000	After 3 months but within 6 months £'000	After 6 months but within 1 year £'000	After 1 year but within 5 years £'000	After 5 years £'000	Total £'000
Assets						
Cash and cash equivalents	11,029	-	-	-	-	11,029
Receivables	4,555	-	-	-	-	4,555
Total assets	**15,584**	-	-	-	-	**15,584**
Liabilities						
Payables	15,584	-	-	-	-	15,584
Total liabilities	**15,584**	-	-	-	-	**15,584**
Net liquidity gap	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

10. FINANCIAL RISK MANAGEMENT (CONTINUED)

2014	Within 3 months £'000	After 3 months but within 6 months £'000	After 6 months but within 1 year £'000	After 1 year but within 5 years £'000	After 5 years £'000	Total £'000
Assets						
Cash and cash equivalents	10,736	-	-	-	-	10,736
Receivables	2,749	-	-	-	-	2,749
Total assets	13,485	-	-	-	-	13,485
Liabilities						
Payables	13,485	-	-	-	-	13,485
Total liabilities	13,485	-	-	-	-	13,485
Net liquidity gap	-	-	-	-	-	-

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.

2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000	Book Value £'000
Financial assets					
Cash and cash equivalents	-	**11,029**	-	**11,029**	**11,029**
Receivables	-	**4,555**	-	**4,555**	**4,555**
Financial liabilities					
Payables	-	**15,584**	-	**15,584**	**15,584**

2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000	Book Value £'000
Financial assets					
Cash and cash equivalents	-	10,736	-	10,736	10,736
Receivables	-	2,749	-	2,749	2,749
Financial liabilities					
Payables	-	13,485	-	13,485	13,485

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

10. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 reprice 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).

Interest rate profile of financial assets and liabilities

2015	**Floating rate £'000**	**Non interest bearing £'000**	**Total £'000**
Assets			
Sterling	**11,029**	**4,555**	**15,584**
Liabilities			
Sterling	**-**	**15,584**	**15,584**

Interest rate profile of financial assets and liabilities

2014	Floating rate £'000	Non interest bearing £'000	Total £'000
Assets			
Sterling	10,736	2,749	13,485
Liabilities			
Sterling	-	13,485	13,485

All floating rate assets re-price monthly.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

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.

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

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Administrative expenses		
Cash manager fee	**17**	17
Administrator fees	**342**	437
	359	454

The administrator fee and the cash manager fee are both allocated between Virgin Money plc (the seller) and Gosforth Funding 2011-1 plc (the issuer).

At 31 December 2015 the Company owed £11,029,045 (2014: £10,624,823) to the issuer and £nil (2014: £112,192) to Virgin Money plc relating to cash held in trust. The Company owes £27,190 (2014: £150,000) to Virgin Money plc in relation to services provided.

12. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company is a subsidiary of Gosforth Holdings 2011-1 Limited, a company registered in England and Wales. The smallest group to consolidate the results of the Company is Gosforth Holdings 2011-1 Limited. These accounts 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. 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 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..

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

13. FUTURE ACCOUNTING DEVELOPMENTS

A number of new accounting standards and amendments to accounting standards have been issued by the IASB, however these have not been endorsed by the European Union. Those which may be relevant to the Company are set out below.

Pronouncement	Nature of change	IASB effective date
IFRS 15 'Revenue from Contracts with Customers'	Current revenue recognition accounting standards have led to inconsistencies in accounting for similar transactions and inadequate disclosures. IFRS 15 specifies comprehensive principles on whether, how much and when an entity should recognise revenue arising from customer contracts. In addition, extensive disclosure requirements have been introduced to provide more informative and relevant disclosures, particularly around estimates and judgements. The Company is reviewing the requirements of the new standard to determine its effect, if any, on its financial reporting.	1 January 2018 (has not been EU endorsed)
IFRS 9 'Financial Instruments'	IFRS 9 Financial Instruments, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is split over 3 phases: - Phase 1 includes revised guidance on the classification and measurement of financial instruments. Financial assets will be classified and measured based on the business model under which they are held and the characteristics of their contractual cash flows. Financial liabilities designated under the fair value option will be required to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than profit or loss. - Phase 2 is a new expected credit loss model for calculating impairment on financial assets. Under this approach, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, the Company will always account for expected credit losses and changes in those expected credit losses.	1 January 2018 (has not been EU endorsed)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

13. FUTURE ACCOUNTING DEVELOPMENTS (CONTINUED)

- Phase 3 is the new general hedge accounting requirements. These requirements aim to more closely align hedge accounting with the Company's risk management strategy. The work on macro hedging by the IASB is still at a preliminary stage and has not yet been issued as part of the finalised standard.

A project team has been mobilised to begin work on assessing the impact of IFRS 9 across the Company, with particular emphasis on phase 2 - the new impairment expected credit loss model. At this stage a full assessment of the impact of IFRS 9 has not been made by the Company. The Company is on track to successfully deliver the changes required to adopt IFRS 9 on 1 January 2018 (subject to EU endorsement).