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GRANITE FINANCE FUNDING LIMITED

Annual Report and Financial Statements

for the 12 months to 31 March 2015

UK Establishment Number: FC022999

Registered Number: 79308

Granite Finance Funding Limited

Annual Report and Financial Statements for the 12 months to 31 March 2015

Contents

Granite Finance Funding Limited

Strategic Report for the 12 months to 31 March 2015

The Directors present the Strategic Report of Granite Finance Funding Limited ('the Company') for the 12 months to 31 March 2015 The Company was incorporated in Jersey on 14 February 2001 as a limited company

These financial results are for the year to 31 March 2015 The previous financial results were for the 15 month period to 31 March 2014 ('15 months to March 2014') and therefore these are included as the comparative below The Company's accounting reference date was changed from 31 December to 31 March to align to the year end of the Company's controlling party, HM Treasury

Principal activities
The Company's principal activity is to acquire an interest in a portfolio of mortgage loans and to enter into all financial arrangements in that connection by means of a beneficial interest in the assets of Granite Finance Trustees Limited ('the Trust') These assets comprise mortgages loans originated by NRAM plc ('NRAM') (formerly Northern Rock (Asset Management) plc) secured on residential property The Company receives a share of the Trust's income in proportion to the Company's share of the mortgage assets of the Trust

Under IFRS, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective The directors of the Company have concluded that NRAM has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the Company does not recognise the mortgage loans on its Balance Sheet but rather a deemed loan, which is accounted as amounts due from group undertakings NRAM, the originator of the mortgage loans in the Trust, carries the pool mortgages on its Balance Sheet The cash receipts in respect of the mortgage loans in the pool are collected by NRAM and paid to the Trust On a monthly basis the Trust allocates this cash between the Company, Granite Finance Funding 2 Limited (a fellow NRAM group undertaking) and NRAM (which holds a share of the pool mortgages) according to the rules of the structure On a monthly basis the Company allocates the cash it receives between the issuing companies in the Granite securitisation structure

Controlling party
The Company's immediate parent undertaking is Granite Finance Holdings Limited, a private limited liability company incorporated and domiciled in the United Kingdom

The Company's ultimate parent undertaking is The Law Debenture Intermediary Corporation plc, a private limited liability company incorporated and domiciled in the United Kingdom, the shares being held under a trust arrangement

Under IFRS, the Company's controlling party during the period and previous year was NRAM a public company incorporated and domiciled in the United Kingdom NRAM heads the smallest group of companies into which the Financial Statements of the Company are consolidated

NRAMs ultimate parent undertaking is UKAR, a private limited company incorporated and domiciled in the United Kingdom, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury The Company considers Her Majesty's Government to remain its ultimate controlling party

Review of the business
During the year, NRAM made repayments totalling £389 5m (15 months to March 2014 £456 8m) to the Company in respect of the deemed loan These repayments were used to repay part of the loans due to group undertakings, in accordance with the 'Distribution of Funding Available Principal Receipts' as detailed in the Offering Circulars of the Granite Finance Holdings Limited group undertakings ('the issuers') listed in Note 11 (which are available on the NRAM website, www nram co uk and which form part of the securitisation transaction documents)

Granite Finance Funding Limited

Strategic Report for the 12 months to 31 March 2015 (continued)

Review of the business (continued)
Following the completion of the legal and capital restructuring on 1 January 2010, customers of NRAM, which includes all mortgages assigned to the Trust are not entitled to any further loans or new mortgage products This has significantly reduced the volume of loans repurchased by NRAM from the Trust (further advances and product switches being criteria for repurchase from the Trust) This has ultimately reduced the level of principal receipts available to the Company and hence slowed down repayments made in respect of the loans due to NRAM group undertakings Other than this, it is not anticipated that the legal and capital restructuring will have any impact upon the Company

Results
The Company is entitled to a pre-determined retained profit under the securitisation transaction documents Under the terms of the securitisation, the Company retains the right to retain a maximum of 0 01% of available revenue receipts from the beneficial interest in the mortgage portfolio Profits in excess of the retained amount accrue to NRAM, the originator of the underlying mortgage loan This is reflected in the Statement of Comprehensive Income on page 11

Key Performance Indicators (KPIs)

The KPIs used by management in assessing the performance of the Company are the quality of the assets in the mortgage pool and the compliance of the Company with the terms of the securitisation documentation During the year the Company has complied with the terms of the securitisation documentation Information about the quality of the assets in the mortgage pool is provided in the monthly trustee reports to investors, available on the website of NRAM at http //www nram co uk/corporate/treasury/securitisation, including the following

		At 31 March 2015	At 31 March 2014
Number of outstanding mortgage loans	**Number**	**132,570**	152,056
Outstanding mortgage loans	**£bn**	**12.9**	15 1
Number of mortgage loans 3 months or more in arrears	**Number**	**3,759**	4,980
Principal value of mortgage loans 3 months or more in arrears	**£m**	**472.3**	643 3
Arrears value of mortgage loans 3 months or more in arrears	**£m**	**19.7**	26 8
Mortgage loans in repossession	**Number**	**272**	425
Value of mortgage loans in repossession	**£m**	**30.6**	50 5
Weighted average indexed current loan to value	**%**	**73.2**	80 0

Granite Finance Funding Limited

Strategic Report for the 12 months to 31 March 2015 (continued)

Principal risks and uncertainties

In the ordinary course of business the Company is exposed to, and manages, a variety of risks, with credit risk, liquidity risk and market risk (foreign currency risk and interest rate risk) being of particular significance The Directors have responsibility for the overall system of internal control and for reviewing its effectiveness Details of the Company's risks and their management and control are provided in note 14, and further discussion in the context of the NRAM Group as a whole is provided on pages 8-10 of that Group's 2015 Annual Report & Accounts, which do not form part of this Report and Financial Statements

The Company has entered into contracts with a number of third parties to provide operational support including corporate service providers, paying agents and swap providers NRAM acts as a bank account and cash manager The Company's operations are subject to periodic review by the NRAM internal audit department

By order of the board

MARTIN SCHNAIER

Sanne Group Secretaries (UK) Limited
Company Secretary
Registered Office
13 Castle Street
St Helier
Jersey
JE4 5UT

29th September 2015

Granite Finance Funding Limited

Directors' Report for the 12 months to 31 March 2015

The Directors present their report together with the audited Financial Statements of the Company for the 12 months to 31 March 2015

Dividends
The profit for the year to 31 March 2015 attributable to the owners of the parent of £1,000 (15 months to March 2014 profit £1,000) has been transferred to reserves No dividends were paid during the year (2014 £nil), and the Directors do not recommend the payment of a final dividend (15 months to March 2014 £nil) The Company's profits over the lifetime of the securitisation will be limited to the predetermined retained profit

Future outlook
The rate at which the inter-company loans between the issuers and the Company will actually reduce will depend upon the Company's allocation of the Trust's principal receipts Any significant changes in the level of the Trust's underlying mortgage redemptions or removals will have an impact upon the maturity profiles of the inter-company loans due to the issuers A significant increase in arrears and/or repossession losses could ultimately lead to the Company failing to repay all amounts due to the issuers in respect of the inter company loans Such a situation would not render the Company insolvent because the Company is only obliged to make payments to the issuers to the extent that receipts from the Trust allow Credit enhancement in the form of excess spread and reserve funds, held by the Company, exist to mitigate the risk of the Company being unable to make all payments due in respect of the inter company loans

At the present time the Directors do not foresee any changes in the Company's activities

Financial risk management objectives and policies
Information regarding the financial risk management objectives and policies is given in note 14 A description of the principal risks to which the Company is exposed is provided on page 4

Taxation
The Company's income tax payable is calculated on taxable profits based on applicable UK tax law The Company had the opportunity prior to 30 June 2009 to elect into a new permanent regime for the taxation of securitisation companies under which it would be taxed by reference to its contractually retained profits (to the extent that they are realised) The Company has elected not to enter into the permanent regime as it is anticipated that the tax payable will be materially the same under either basis

Regulatory calls
The concept of a regulatory call was introduced into the Granite programme in 2003 in line with market practice at that time in order to provide flexibility in the event that the implementation of Basel II fundamentally changed the dynamics of securitisation from a capital efficiency standpoint All of the remaining Granite Finance Funding issuers have a regulatory call in place However, recognising the increased emphasis of securitisation as a funding tool and investor disquiet regarding uncertainty of bond lives, NRAM has committed to not seeking to utilise these calls

Corporate governance
The Directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents

Granite Finance Funding Limited

Directors' Report for the 12 months to 31 March 2015

Corporate governance (continued)

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling the Directors to comply with the regulatory obligations

Directors

The Directors who served during the year and up to the date of signing the Financial Statements were as follows

Jason Bingham

Martin Schnaier

Ian Hares

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

Each of Mr Bingham and Mr Schnaier are employees of Sanne Group

Mr Hares is a Director of NRAM and UKAR

Directors' indemnities

Qualifying third party indemnity provision for the benefit of all Directors was in force during the period under review, and remains in force at the date of approval of the Directors' Report and Financial Statements

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 ('IFRS') 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 IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

Granite Finance Funding Limited

Directors' Report for the 12 months to 31 March 2015 (continued)

Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware Each Director has taken all the steps (such as making enquiries of other Directors and the auditors and any other steps required by the Director's duty to exercise due care, skill and diligence) that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the forthcoming annual general meeting

By order of the Board

MARTIN SCHNAIER

Sanne Group Secretaries (UK) Limited
Company Secretary
29th September 2015

Independent auditors' report to the members of Granite Finance Funding Limited

We have audited the financial statements of Granite Finance Funding Limited for the year ended 31 March 2015 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes 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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7 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 opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose We do not, in giving this opinion, 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 with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit 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 March 2015 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance International Financial Reporting Standards as adopted by the European Union, and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991

Opinion on other matter

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

Independent auditors' report to the members of Granite Finance Funding Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion

- proper accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records, or
- we have not received all the information and explanations we require for our audit

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
29 September 2015

Granite Finance Funding Limited

Statement of Comprehensive Income for the 12 months to 31 March 2015

	Note	12 months to 31 Mar 2015 £000	15 months to 31 Mar 2014 £000
Interest receivable and similar income	3	**59,731**	90,071
Interest expense and similar charges	4	**(59,627)**	(89,953)
Net interest income		**104**	118
Administrative expenses	5	**(103)**	(117)
Profit before taxation		**1**	1
Taxation	6	**-**	-
Profit for the year/period attributable to owners of the parent		**1**	1
Other comprehensive income		**-**	-
Total comprehensive income for the year/period		**1**	1

The results above arise from continuing activities and are attributable to owners of the parent

The notes on pages 15 to 32 form an integral part of these Financial Statements

Granite Finance Funding Limited

Balance Sheet as at 31 March 2015

	Note	At 31 March 2015 £000	At 31 March 2014 £000
Assets			
Non-current assets			
Amounts due from Group undertakings	9	**1,268,960**	1,078,288
Investments in subsidiary undertakings	8	**250**	250
Total non-current assets		**1,269,210**	1,078,538
Current assets			
Amounts due from Group undertakings	9	**257,863**	489,883
Cash and cash equivalents	7	**309,558**	316,387
Trade and other receivables	10	**27**	1,502
Total current assets		**567,448**	807,772
Total assets		**1,836,658**	1,886,310
Equity and liabilities			
Liabilities			
Non-current liabilities			
Amounts due to Group undertakings	11	**1,433,731**	1,483,807
Total non-current liabilities		**1,433,731**	1,483,807
Current liabilities			
Amounts due to Group undertakings	11	**402,586**	402,163
Total current liabilities		**402,586**	402,163
Total liabilities		**1,836,317**	1,885,970
Equity			
Issued capital and reserves			
Share capital	16	**125**	125
Retained earnings		**216**	215
Total equity		**341**	340
Total equity and liabilities		**1,836,658**	1,886,310

The notes on pages 15 to 32 form an integral part of these Financial Statements The Financial Statements on page 11 to 32 were approved by the Board of Directors on 29th September 2015 and signed on its behalf by

Jason Bingham
Director
29th September 2015

Granite Finance Funding Limited is registered in Jersey, Channel Islands under Company Number 79308

Granite Finance Funding Limited

Statement of Changes in Equity for the 12 months to 31 March 2015

For the 12 months to March 2015

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 April 2014	**125**	**215**	**340**
Total comprehensive income for the year	**-**	**1**	**1**
Balance at 31 March 2015	**125**	**216**	**341**

For the 15 months to 31 March 2014

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2013	125	214	339
Total comprehensive income for the period	-	1	1
Balance at 31 March 2014	125	215	340

Granite Finance Funding Limited

Cash Flow Statement for the 12 months to 31 March 2015

	12 months to 31 Mar 2015	15 months to 31 Mar 2014
	£000	£000
Cash flows from operating activities:		
Profit before taxation for the year/period	**1**	1
Cash flows generated from operating activities before changes in operating assets and liabilities	**1**	1
Net (increase)/decrease in operating assets:		
- amounts due from Group undertakings	**41,348**	456,805
- other assets	**1,475**	612
Net decrease in operating liabilities:		
- amounts due to Group undertakings	**(49,653)**	(462,330)
Tax paid	**-**	-
Net cash used in operating activities	**(6,829)**	(4,912)
Net decrease in cash and cash equivalents	**(6,829)**	(4,912)
Cash and cash equivalents at beginning of year/period	**316,387**	321,299
Cash and cash equivalents at end of year/period:	**309,558**	316,387

Granite Finance Funding Limited

Notes to the Financial Statements for the 12 months to 31 March 2015

1. Principal accounting policies

Granite Finance Funding Limited ('the Company') is a private limited company incorporated and domiciled in Jersey

(a) Statement of compliance

For these 2015 Financial Statements, including the 2014 comparative financial information where applicable, the Company has adopted the following amendment for the first time

- The June 2013 amendments to IAS 39 relating to 'Novation of Derivatives and Continuation of Hedge Accounting', which restrict the circumstances in which a novation of a derivative contract may be treated as a continuation of an existing hedge relationship This amendment had no material impact on the Company

For these 2015 Financial Statements the Company has not adopted the following statements, the Company is assessing the impacts of these statements on its Financial Statements

- IFRS 9 'Financial Instruments', on 24 July 2014 the IASB published the final version (excluding macro-hedging), replacing most of the guidance in IAS 39 The IASB intends that IFRS 9 will be effective for annual periods beginning on or after 1 January 2018, but the timing of EU endorsement is yet to be determined The Company continues to monitor developments IFRS 9 is expected to have major implications for the Company, in relation to impairment of loans to customers, hedging and which assets are carried at cost and which at fair value

- IFRS 15 'Revenue from Contracts with Customers', issued May 2014, effective for periods beginning on or after 1 January 2018, and yet to be endorsed by the EU No material impacts are expected for the Company

- The Annual Improvements to IFRSs 2010-2012 Cycle, issued in December 2013 These changes are mandatory for the Company's Financial Statements for the year to 31 March 2016 No material impacts are expected for the Company

- The Annual Improvements to IFRSs 2011-2013 Cycle, issued in December 2013 These changes are mandatory for the Company's Financial Statements for the year to 31 March 2016 No material impacts are expected for the Company

- The Annual improvements to IFRS 2012-2014 Cycle, issued in September 2014 These changes are mandatory for the Company's Financial Statements for the year to 31 March 2017 No material impacts are expected for the Company

All other new standards, amendments to standards and interpretations are not considered relevant to, and have no impact upon, the Financial Statements of the Company

Notes to the Financial Statements for the 12 months to 31 March 2015 (continued)

1. Principal accounting policies (continued)

(b) Basis of preparation

The Financial Statements are presented in pounds sterling, which is the currency of the Company's primary operating environment, and on a going concern basis The Financial Statements have been prepared under the historical cost convention They also comply with the applicable provisions of the Companies (Jersey) Law 1991, as amended

The Directors consider that the accounting policies set out in this note are the most appropriate to the Company's circumstances, have been consistently applied by the Company in dealing with items which are considered material, and are supported by reasonable and prudent estimates and judgements

The Financial Statements have been prepared in accordance with EU adopted IFRS, IFRIC interpretations issued by the IFRS Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS A summary of accounting policies is set out below The preparation of the Financial Statements in conformity with these accounting policies and generally accepted accounting principles requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of the amounts, event or actions, actual results ultimately may differ from those estimates (see note 2)

The Directors consider the business to comprise one operating and geographical segment

(c) Principles underlying going concern assumption

The Financial Statements are prepared on a going concern basis under the historic cost basis except for financial instruments classified as 'at fair value through profit or loss' The validity of this assumption is dependent upon the funding position of NRAM If NRAM was unable to continue as a going concern this may have an impact on the recoverability of certain assets in the balance sheet of the Company and a significant impact on its operations

Deemed Loan

The Company originally purchased an interest in a portfolio of residential mortgages written by NRAM and held in trust by Granite Finance Trustees Limited Under IAS39 it is the case that although the mortgage portfolio has been legally sold by NRAM this has not resulted in NRAM passing on substantially all of the risks and rewards associated with the mortgage portfolio Accordingly the mortgage portfolio remains on NRAM's balance sheet and the Company instead has a deemed loan with NRAM The Directors have considered the quality of the mortgage assets issued by NRAM as represented by the deemed loan and have concluded that it is appropriate to prepare the financial statements on a going concern basis

Guaranteed Investment Contract Amounts

The Company and Granite Finance Trustees Limited (another NRAM group undertaking) both hold cash in bank accounts held at NRAM Under the terms of the transaction documents, NRAM is the Guaranteed Investment Contract (the 'GIC') account provider Should NRAM's short term unsecured, unsubordinated, and unguaranteed debt obligations cease to be rated A-1 by S&P, P-1 by Moody's or F1 by Fitch then the GIC accounts must be transferred to another appropriately rated bank or NRAM must obtain a guarantee of its obligations under the Bank Account Agreement from a satisfactorily rated financial institution The existing ratings remain strong enough to allow NRAM to continue as the GIC account provider

If cash at bank and in hand was not recoverable, this may affect Granite Finance Trustees Limited's ability to meet financial obligations due to the Company and subsequently the Company's ability to meet financial obligations due to its subsidiaries and ultimately the Granite noteholders

Granite Finance Funding Limited

Notes to the Financial Statements for the 12 months to 31 March 2015 (continued)

1. Principal accounting policies (continued)

(c) Principles underlying going concern assumption (continued)

Interest rate swap

NRAM (in its capacity as the Interest Rate Swap Provider) has agreed to act as a swap provider to the Company to hedge possible variances between the rates of interest payable on the Mortgage Loans that comprise the deemed loan between the Company and NRAM and LIBOR for three month Sterling deposits by entering into the Interest Rate Swap with the Company and the Security Trustee under the Interest Rate Swap Agreement The Interest Rate Swap Provider will be required to obtain a guarantee of its obligations or put in place some other arrangement in the event that that its short term unsecured, unsubordinated and unguaranteed debt obligations cease to be rated A1 by S&P, P1 by Moody's or F1 by Fitch. The existing ratings remain strong enough to allow NRAM to continue as the Interest Rate Swap Provider

Upon the termination of the Interest Rate Swap pursuant to an Interest Rate Swap Early Termination Event, the Company or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement

The servicer and the administration agreement

Granite Finance Trustees Limited and the beneficial owners of the Trust property have retained NRAM under the terms of the administration agreement as the servicer of the mortgage loans NRAM has sub-contracted elements of the servicing to Northern Rock plc, a new bank formed on 1st January 2010 as part of the legal and capital restructure The ability of the Trust to make payments due to the Company is in part dependent upon the servicer administering the mortgage balances (which form the Trust's 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 Granite Finance Trustees Limited or the Company and Granite Finance Funding 2 Limited 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 Such events are detailed within the Securitisation transaction documentation Upon termination of the servicer, Granite Finance Trustees Limited, the Company and Granite Finance Funding 2 Limited have agreed to use their reasonable endeavours to appoint a substitute servicer No such event has occurred

Granite Finance Funding Limited

Notes to the Financial Statements for the 12 months to 31 March 2015 (continued)

1. Principal accounting policies (continued)

(d) Interest income and expense
For all interest-bearing financial instruments except derivatives, interest income and expense are recognised in the Income Statement on an Effective Interest Rate ('EIR') basis

The EIR method calculates the amortised cost of a financial asset or financial liability and spreads interest income or interest expense on a level yield basis over the expected life of the instrument, or an appropriate shorter period The calculation includes all directly attributable incremental fees and costs and all premia and discounts as well as interest The EIR is the rate which at the inception of the instrument exactly discounts expected future cash flows over the appropriate period to the initial carrying amount When calculating the EIR, future cash flows are estimated, considering all contractual terms of the instrument (for example prepayment options), but potential future credit losses are not considered

When a financial asset or a group of similar financial assets is written down as a result of an impairment loss, interest income continues to be recognised by applying the applicable EIR to the reduced balance

(e) Financial instruments
In accordance with IAS 39 each financial asset is classified at initial recognition into one of the following categories

(i) Financial assets at fair value through profit or loss,
(ii) Loans and receivables,

and each financial liability into one of two categories

(iii) Financial liabilities at fair value through profit or loss, or
(iv) Other liabilities

Measurement of financial instruments is either amortised cost (categories (ii), and (iv) above) or at fair value (categories (i) and (iii) above), depending on the category of financial instrument The Company does not carry any financial instruments at fair value

Amortised cost is the amount measured at initial recognition, adjusted for subsequent principal and other payments, less cumulative amortisation calculated using the EIR method, the amortisation is taken to interest income or expense depending on whether the instrument is an asset or a liability For assets, the amortised cost balance is reduced where appropriate by an allowance for amounts which are considered to be impaired or uncollectible The loans to Group undertakings will not become impaired unless the mortgages in the pool become impaired to the extent that all credit enhancement is used up

IFRS 13 'Fair Value Measurement' defines 'fair value' 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' Where an active market is considered to exist, fair values are based on quoted prices or lead manager prices For instruments which do not have active markets, fair value is calculated using discounted cash flows, applying independently sourced market parameters including interest rates and currency rates Any net movements in fair value are included in the Statement of Comprehensive Income as 'fair value movements'

(f) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when and only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously

Notes to the Financial Statements for the 12 months to 31 March 2015 (continued)

1. Principal accounting policies (continued)

(g) Impairment losses

The Company assesses its financial assets for objective evidence of impairment at each balance sheet date An impairment loss is recognised if, and only if, there is a loss event (or events) that has occurred after initial recognition and before the balance sheet date and that has a reliably measurable impact on the estimated future cash flows of the financial assets

The only asset held by the Company that is at risk of material impairment is the loan to NRAM, the repayment of which is dependent upon the performance of the residential mortgage portfolio The performance of the mortgage portfolio is continually assessed by NRAM and external credit rating agencies It follows that the impairment policies of NRAM are applied by the Company

(h) Recognition and derecognition of financial instruments

Purchases and sales of assets are accounted for once the parties are legally committed to the contract and the risks and rewards of the loans have been transferred

A financial asset is de-recognised (i e removed from the Balance Sheet) only when substantially all of the risks and rewards associated with that asset have been transferred to another party A financial liability is de-recognised only when the contractual obligation is discharged, cancelled or has expired

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', assets and liabilities are classified as 'held for sale' if they are available for immediate sale in their present condition and the sale is considered to be 'highly probable'

(i) Deferred consideration

Under the terms of the beneficial interest in the mortgage portfolio, the Company retains the right to a maximum of 0 1% of interest receivable Profits in excess accrue to NRAM, the originator of the underlying mortgages The payment of deferred consideration is strictly governed by the priority of payments which set out how the cash is utilised Deferred consideration is deducted from interest receivable and similar income

(j) Amounts owed to Group undertakings

On initial recognition amounts owed to Group undertakings are measured at their fair value net of directly attributable transaction costs and discounts, in accordance with IAS 39 'Financial Instruments Recognition and Measurement' Subsequent measurement is at amortised cost using the EIR method

(k) Cash and cash equivalents

Cash and cash equivalents comprise balances which are highly liquid and have an original maturity of three months or less As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash

(l) 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 Company's income tax payable is calculated on taxable profits based on applicable UK tax law The Company had the opportunity prior to 30 June 2009 to elect into a new permanent regime for the taxation of securitisation companies under which it would be taxed by reference to its contractually retained profits (to the extent that they are realised) The Company has elected not to enter into the permanent regime as it is anticipated that the tax payable will be materially the same under either basis

Granite Finance Funding Limited

Notes to the Financial Statements for the 12 months to 31 March 2015 (continued)

2. Critical accounting judgements and estimates

In preparing the Financial Statements, management are required to make a series of judgements and estimates Judgements involve an interpretation of requirements to decide how to allocate, value or recognise an item Estimates arise from using assumptions which result in a range of possible outcomes The most important judgements and estimates used in preparing the Financial Statements are described below

(a) Effective interest rate
Certain financial instruments are accounted for at amortised cost on an effective interest rate basis, under which the income or expense associated with the instrument is spread over the instrument's expected life On a quarterly basis, models are reviewed to re-assess expected life

(b) Fair value calculations
The fair values of financial instruments are set out in note 13 (a) Where a market exists, fair values are based on quoted market prices or lead manager prices For instruments which do not have an active market, fair value is calculated using expected future cash flows for which assumptions are made

Fair value is defined as the value at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction Where quoted market prices are not available, fair value is calculated using discounted cash flows, applying independently sourced market parameters including interest rates and currency rates Other factors are also considered, such as counterparty credit quality and liquidity Management must use judgement to arrive at estimates where not all necessary data can be externally sourced or where factors specific to the Group's holdings need to be considered The accuracy of the fair value calculations may therefore be affected by unexpected market movements, or variations in actual outcomes when compared to estimates and assumptions used for modelling purposes

3 Interest receivable and similar income

	12 months to 31 Mar 2015 £000	15 months to 31 Mar 2014 £000
Interest on amounts due from Group undertakings	59,507	88,854
Bank interest	224	1,217
	59,731	90,071

Interest income for the year on impaired assets was £nil (15 months to March 2014 £nil) as no financial asset is impaired

4 Interest expense and similar charges

	12 months to 31 Mar 2015 £000	15 months to 31 Mar 2014 £000
Interest on amounts owed to Group undertakings	59,219	89,318
Amortisation of issue costs	408	635
	59,627	89,953

5 Administrative expenses

	12 months to 31 Mar 2015 £000	15 months to 31 Mar 2014 £000
Corporate services fee - Sanne Group Limited	-	5
Cash manager fee - NRAM	95	105
Audit fees	6	5
Other legal and professional fees	2	2
	103	117

Auditors' remuneration of £6,000 (15 months to March 2014 £5,000) is initially billed to NRAM and subsequently recharged to the company

There were no employees during the year (15 months to March 2014 none) and none of the Directors received emoluments in respect of their services to the Company (15 months to March 2014 none) A corporate service fee is paid to Sanne Group in connection with its supply of corporate management services including the provision of Directors (see note 12)

Granite Finance Funding Limited

Notes to the Financial Statements for the 12 months to 31 March 2015 (continued)

6 Taxation

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

	12 months to 31 Mar 2015 £000	15 months to 31 Mar 2014 £000
Current taxation charge		
- UK Corporation tax on profit for the year/period	-	-
Total taxation credit per the Statement of Comprehensive Income	-	-
Profit before taxation	1	1
UK Corporation tax at 21% (2014 23 2%)	-	-
Total taxation credit per the Statement of Comprehensive Income	-	-

There was no unprovided deferred tax at 31 March 2015 (2014 £nil)

7 Cash and cash equivalents

The Company holds deposits at banks, which pay a variable rate of interest based on three month quoted LIBOR Of these deposits, £181 2m (2014 £187 6m) is held at NRAM Further deposits totalling £128 4m (2014 £128 9m) are held at a third party bank

8 Investments in subsidiary undertakings

	12 months to 31 Mar 2015 £000	15 months to 31 Mar 2014 £000
Cost		
At beginning and end of year/period	**250**	250

The investments in subsidiary undertakings represent the entire issued share capitals of Granite Mortgages 03-2 plc, Granite Mortgages 03-3 plc, Granite Mortgages 04-1 plc, Granite Mortgages 04-2 plc and Granite Mortgages 04-3 plc

All of the subsidiary undertakings are registered in England and Wales, are 100% owned and the principal activity of the subsidiary undertakings is the investment of the proceeds of the issue of asset backed notes

9 Amounts due from Group undertakings

	12 months to 31 Mar 2015 £000	15 months to 31 Mar 2014 £000
Amounts due from Group undertakings	**1,526,823**	1,568,171

Granite Finance Funding Limited

Notes to the Financial Statements for the 12 months to 31 March 2015 (continued)

9 Amounts due from Group undertakings (continued)

The mortgage portfolio, which is accounted for as amounts due from Group undertakings and in which the Company holds a beneficial interest, is held on trust for the Company, Granite Finance Funding 2 Limited and NRAM by Granite Finance Trustees Limited The mortgage loans are secured on residential property in England, Wales and Scotland

The deemed loan is denominated in Sterling and attracts interest at varying rates based on the Standard Variable Rate of the Administrator (NRAM)

10 Trade and other receivables

	At 31 March 2015 £000	At 31 March 2014 £000
SPV Issue costs	**27**	1,502

11 Amounts due to group undertakings

	Currency	Average Interest Rate as at 31 March 2015	At 31 March 2015 £000	At 31 March 2014 £000
Granite Mortgages 03-2 plc	GBP	3M GBP LIBOR + %	**224,895**	282,140
Granite Mortgages 03-3 plc	GBP	3M GBP LIBOR + %	**196,644**	246,837
Granite Mortgages 04-1 plc	GBP	3M GBP LIBOR + %	**315,552**	399,042
Granite Mortgages 04-2 plc	GBP	3M GBP LIBOR + %	**344,619**	435,819
Granite Mortgages 04-3 plc	GBP	3M GBP LIBOR + %	**406,449**	514,212
NRAM	GBP	-	**348,158**	7,920
			1,836,317	1,885,970

The loans due to group undertakings are all denominated in Sterling and are at variable rates of interest, based on three month quoted LIBOR The repayment of the loans is dependent upon the Company's receipts in respect of the deemed loan with NRAM (see page 15) The current/non-current split reflects the expected pattern of repayments and is based upon the expected repayment profile of the deemed loan due from NRAM As partial repayments of principal are made on the loans, the average margin payable on the loans increases

The Company has not had any defaults of principal, interest or other breaches in respect of the loans due to group undertakings during the year (15 months to March 2014 Nil) Following the advent of pass-through the loans will pay down to the extent allowed by repayments of principal from NRAM in respect of the deemed loan

12 Related party disclosures

The Company is a special purpose vehicle controlled by its Board of Directors, which comprises three Directors Two of the Company's three Directors are corporate Directors provided by Sanne Group and the third Director is a Director of NRAM (the controlling party under IFRS) The Company considers the Directors to be the key management personnel The Company made no payments to the Directors during the year (15 months to March 2014 £nil) The Company pays a corporate services fee to Sanne Group in connection with its supply of corporate management services including the provision of Directors The Company undertook the following transactions with related parties

	12 months to 31 Mar 2015 £000	15 months to 31 Mar 2014 £000
Deemed loan to NRAM		
Loan outstanding at beginning of year/period	**1,568,171**	2,024,975
Net amounts repaid	**(41,348)**	(456,804)
Loan outstanding at end of year/period	**1,526,823**	1,568,171
Interest income earned	**59,507**	88,854
Bank deposit with NRAM		
Deposit outstanding at beginning of year/period	**187,576**	192,411
Net amounts advanced	**(6,442)**	(4,835)
Deposit outstanding at end of year/period	**181,134**	187,576
Interest accrual at end of year/period	**87**	84
Interest income earned	**224**	995
Cash management fee payable to NRAM		
Fee accrual at beginning of year/period	**25**	25
Amounts charged net of amounts paid	**(6)**	-
Fee accrual at end of year/period	**19**	25
Fee expense	**95**	105
Corporate services fee payable to Sanne Group		
Fee expense	**-**	5

The Company considers the UK government to be its ultimate controlling party The Company has transactions with numerous government bodies on an arm's length basis in relation to the payment of corporation tax and regulatory fees and levies

13 Financial instruments

(a) Categories of financial assets and financial liabilities: carrying value compared to fair value

The following table summarises the carrying amounts and fair values of financial assets and liabilities Assets are generally presented bid prices, whereas offer prices are used for liabilities The accounting policy note 1(d) sets out the key principles used for estimating the fair values of financial instruments This note provides some additional information in respect of the methodologies used

At 31 March 2015	Assets at fair value through profit or loss on initial recognition	Loans and receivables	Total carrying value	Fair value
	£000	£000	£000	£000
Financial assets				
Amounts due from Group undertakings	-	1,526,823	1,526,823	1,526,823
Trade and other receivables	-	27	27	27
Cash and cash equivalents	-	309,558	309,558	309,558
Total financial assets	-	1,836,408	1,836,408	1,836,408

	Liabilities at fair value through profit or loss on initial recognition	Liabilities measured at amortised cost	Total carrying value	Fair value
	£000	£000	£000	£000
Financial liabilities				
Amounts owed to Group undertakings	-	1,836,317	1,836,317	1,836,317
Total financial liabilities	-	1,836,317	1,836,317	1,836,317

At 31 March 2014	Assets at fair value through profit or loss on initial recognition	Loans and receivables	Total carrying value	Fair value
	£000	£000	£000	£000
Financial assets				
Amounts due from Group undertakings	-	1,568,171	1,568,171	1,568,171
Trade and other receivables	-	1,502	1,502	1,502
Cash and cash equivalents	-	316,387	316,387	316,387
Total financial assets	-	1,886,060	1,886,060	1,886,060

13 Financial instruments (continued)

(a) Categories of financial assets and financial liabilities: carrying value compared to fair value (continued)

At 31 March 2014	Liabilities at fair value through profit or loss on initial recognition	Liabilities measured at amortised cost	Total carrying value	Fair value
	£000	£000	£000	£000
Financial liabilities				
Amounts owed to Group undertakings	-	1,885,970	1,885,970	1,885,970
Total financial liabilities	-	1,885,970	1,885,970	1,885,970

No financial assets or liabilities were reclassified during the year between amortised cost and fair value categories (2014 none)

Valuations methods for calculations of fair values in the table above are set out in note 13(c)

(b) Interest income and expense on financial instruments that are not at fair value through profit or loss

	12 months to 31 Mar 2015 Income	**12 months to 31 Mar 2015 Expense**	15 months to 31 Mar 2014 Income	15 months to 31 Mar 2014 Expense
	£000	**£000**	£000	£000
Interest on amounts due from Group undertakings	**59,507**	-	88,854	-
Bank interest	**224**	-	1,217	-
Interest on amounts owed to Group undertakings	-	**59,219**	-	89,318

13 Financial instruments (continued)

(c) Fair value measurement

For financial assets and liabilities which are not carried at fair value, the fair values disclosed in note 13(a) are calculated on the following bases

At 31 March 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Trade and other receivables	27	-	-	27
Cash and cash equivalents	309,558	-	-	309,558
Amounts due from Group undertakings	-	-	1,526,823	1,526,823
Total financial assets	309,585	-	1,526,823	1,836,408
Financial liabilities				
Amounts due to Group undertakings	-	-	1,836,317	1,836,317
Total financial liabilities	-	-	1,836,317	1,836,317

At 31 March 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Cash and cash equivalents	316,387	-	-	316,387
Amounts due from Group undertakings	-	-	1,568,171	1,568,171
Trade and other receivables	1,502	-	-	1,502
Total financial assets	317,889	-	1,568,171	1,886,060
Financial liabilities				
Amounts due to Group undertakings	-	-	1,885,970	1,885,970
Total financial liabilities	-	-	1,885,970	1,885,970

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

Level 2 Inputs other than quoted prices that are observable for the asset and liability, whether directly (i e as price) or indirectly (i e derived from the implications of prices)

Level 3 Inputs for the asset or liability that are not based on observable market data or have significant unobservable inputs

There were no transfers between levels during the year (2014 none)

13 Financial instruments (continued)

(c) Fair value measurement (continued)

Valuation methods for calculations of fair values in the table above are as follows

Cash and cash equivalents

Fair value is estimated by using discounted cash flows applying either market rates where practicable or rates offered by other financial institutions for accounts with similar characteristics The fair value of floating rate placements, fixed rate placements with less than six months to maturity and overnight deposits is estimated to be their carrying amount

Amounts due from Group undertaking

The carrying value of the variable rate loans is assumed to be their fair value The principal of the amounts due from Group undertakings is consideration for the underlying pool of mortgages which are nearly all at variable rate For these reasons the carrying value of the amounts due from Group undertakings is considered to be a close approximation to fair value

Amounts owed to Group undertakings

The carrying value of the variable rate loans is assumed to be their fair value Amounts owed to Group undertakings are held in sterling and are at variable rates of interest, therefore these loans are considered to be a close approximation to fair value

(d) Offsetting

No financial assets have been offset against financial liabilities, and none are subject to enforceable master netting arrangements or similar agreements

14 Financial risk management

The Company's exposure to risk on financial instruments and the management of this risk are established at the commencement of the securitisation transactions, with the Company's activities and the roles of other parties defined in the programme documentation

(a) Credit risk

Credit risk is the potential for financial loss caused by a party failing to meet an obligation as it becomes due The ability of the Company to meet its obligations to make principal and interest payments on the amounts due to Group undertakings and to meet its operating and administrative expenses is mainly dependant on funds being received on the amounts due from Group undertakings The primary credit risk of the Company therefore relates to the credit risk associated with the securitised pool of mortgages originated by NRAM The likelihood of defaults in the mortgage pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type Significant changes in the economy, or in the health of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cash flows from the mortgage pool

14 Financial risk management (continued)

(a) Credit risk (continued)
The maximum credit risk exposure at the Balance Sheet date before taking account of any collateral netting and other enhancements was as follows

	At 31 March 2015 £000	At 31 March 2014 £000
Cash and cash equivalents	**309,558**	316,387
Amounts due from Group undertakings	**1,526,823**	1,568,171
Trade and other receivables	**27**	1,501
Total maximum exposure to credit risk	**1,836,408**	1,886,059

No impairment has been recognised in respect of any financial asset, and no financial assets were past due

The Company is exposed to credit risk on the 'amounts due from Group undertaking' This balance is equivalent to a beneficial interest in a portfolio of residential mortgages plus associated inter-group balances The credit risk associated with the mortgage portfolio is continually monitored by the NRAM group and external rating agencies A significant increase in the arrears and/or repossession losses associated with this mortgage portfolio could result in the Company being unable to make all repayments of interest and principal due to the issuers in respect of the inter-company loans It should be noted however, that the Company is only obliged to make repayments of interest and principal in respect of the inter-company loans to the extent permitted by repayments of the amounts due from Group undertakings

Credit enhancements
Credit enhancement is provided to the securitisation structure in a number of ways The mortgage pool assets are significantly greater than the Notes which have been issued by the members of the Granite Finance Holdings Limited group This over-collateralisation as well as the reserve fund are available to make good any reductions in the principal balance of the mortgage pool as result of defaults by customers The table below illustrates the total credit enhancements provided to the securitisation structure

	At 31 March 2015 £000	At 31 March 2014 £000
Mortgages	**12,886,137**	15,131,289
Notes in issue	**(9,412,970)**	(12,396,637)
Over collateralisation	**3,473,167**	2,734,652
Reserve fund	**1,004,551**	1,008,505
Total credit enhancements	**4,477,718**	3,743,157

Granite Finance Funding Limited

Notes to the Financial Statements for the 12 months to 31 March 2015 (continued)

14 Financial risk management (continued)

(a) Credit risk (continued)

Master netting agreements are in place with all derivative counterparties, whose creditworthiness is continually monitored and assessed Under the terms of the relevant credit support agreements, RBS is obliged to deposit collateral with a fellow group undertaking, GMI plc and have done so throughout the period This mitigates the risk that derivative asset positions are impaired as a result of the counterparties failing to meet their obligations GMI plc and Granite Finance Funding 2 Limited enter into certain related financial arrangements in order to fund the activities of the Granite Finance Holdings Limited group by means of inter-company loans Collateral held is disclosed within Note 12 of GMI plc's 2015 Annual Report and Financial Statements, which do not form part of this Report and Financial Statements

(b) Liquidity risk

Liquidity risk is the risk of being unable to pay liabilities as they fall due and arises from both the mismatch in asset, liability, derivative and collateral cash flows and from unforeseen changes to these The Company's ability to meet payments due to the issuers of the loan notes relies on the receipt of funds on the amounts due from Group undertakings, which is in turn dependent on the receipt of payments on the mortgage portfolio held in trust The Company's policy is to ensure that amounts received on the deemed loan with NRAM are timed to coincide with amounts due to the issuers in respect of the inter-company loans Under the pass-through arrangements, which came into place on 11 November 2008, the Company repays the inter-company loans on each quarterly payment date to the extent permitted by available principal receipts, so eliminating liquidity risk

Non-derivative cash flows

The tables below analyse the Company's non-derivative cash flows payable into relevant maturity groupings based on the remaining period at balance sheet date to expected maturity dates The amounts disclosed are the expected undiscounted cash flows including future expected interest cash flows

31 March 2015	**On demand £000**	**Within three months £000**	**After three months but within one year £000**	**After one year but within five years £000**	**After five years £000**	**Total £000**
Amounts due to Group undertakings	**93,123**	**102,323**	**190,031**	**1,052,242**	**293,237**	**1,730,956**

31 March 2014	On demand £000	Within three months £000	After three months but within one year £000	After one year but within five years £000	After five years £000	Total £000
Amounts due to Group undertakings	101,815	118,614	219,724	1,242,518	424,993	2,107,664

Notes to the Financial Statements for the 12 months to 31 March 2015 (continued)

14 Financial risk management (continued)

(b) Liquidity risk (continued)

The cash flows above assume that the loan notes are redeemed on the earliest possible date that the issuing companies could be compelled to redeem them These differ from Balance Sheet values due to the effects of discounting on certain Balance Sheet items and due to the inclusion of contractual future interest flows

Prepayment risk
'Prepayment risk' arises when it is possible that the assets may be realised earlier than it is possible to redeem the liabilities Following the advent of the pass-through arrangements on 11 November 2008, this risk is fully mitigated because all available principal receipts are utilised to make repayments on the loan notes There is no restriction on the amount which can be repaid on any given payment date as was the case when scheduled amortisation was applicable

(c) Market risk
Interest rate risk
The interest income on the loans to Group undertaking, as adjusted by deferred consideration, covers the Company's interest expense and other net costs before taxation Hence the Company has no exposure to interest rate risk

Other market risks
At 31 March 2015 the Company had no other material exposure to market risks (2014 nil)

(d) Concentration risk
The Company operates primarily in the United Kingdom, and adverse changes to the United Kingdom economy could impact on all areas of the Company's business The loans to Group undertakings are due from the issuing companies and NRAM, and represent an interest in a portfolio of mortgage loans secured on residential properties in the United Kingdom In turn the ability of the Company to meet its loan obligations to the issuing companies is based upon its cash receipts from its interest in the portfolio Tables showing the geographical analysis of all non-repossessed loans held in the trust and the current LTV levels, in which the Company has a beneficial interest can be found at http //www nram.co uk/corporate/treasury/securitisation

15 Capital structure

The Company's capital is represented by the capital and reserves attributable to owners of the parent The Company is not subject to externally imposed capital requirements The Company manages its capital and reserves in order that there is sufficient capital to meet the needs of the Company in its operations

16 Share capital

	31 March 2015 Number	31 March 2014 Number	**31 March 2015 £**	31 March 2014 £
Authorised				
Ordinary shares of £1 each				
At beginning and end of year/period	**200,000**	200,000	**200,000**	200,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	**125,000**	125,000	**125,000**	125,000

The shares rank equally in respect of rights attaching to voting, dividends and in the event of a winding up

17 Ultimate controlling party

The Company's immediate parent undertaking is Granite Finance Holdings Limited, a private limited liability company incorporated and domiciled in the United Kingdom

The Company's ultimate parent undertaking is The Law Debenture Intermediary Corporation plc, a private limited liability company incorporated and domiciled in the United Kingdom Copies of the financial statements of Granite Holdings Limited and The Law Debenture Intermediary Corporation plc may be obtained from the Company Secretary at Fifth Floor, 100 Wood Street, London, EC2 7EX

Under IFRS, the Company's controlling party during the year and previous period was NRAM a public company incorporated and domiciled in the United Kingdom NRAM heads the smallest group of companies into which the Financial Statements of the Company are consolidated Copies of the financial statements of NRAM may be obtained from the Company Secretary at Croft Road, Crossflatts, Bingley, BD16 2UA

NRAM's ultimate parent undertaking is UKAR, a private limited company incorporated and domiciled in the United Kingdom, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury UKAR heads the largest group of companies into which the Financial Statements of the Company are consolidated Copies of the Financial Statements of UKAR may be obtained from the Company Secretary at Croft Road, Crossflatts, Bingley, BD16 2UA The Company considers the UK Government to remain its ultimate controlling party The results of the UKAR Group are consolidated into those of HM Treasury as presented in HM Treasury's Annual Reports and Accounts

18 Events after the reporting period

The Directors are of the opinion that there have been no significant events which have occurred since 1 April 2015 to the date of this report that are likely to have a material effect on the Company's financial position as disclosed in these Financial Statements