

**Registered number: 3072766**

**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

WEDNESDAY



\*A83Q5XQQ\*

A42

21/09/2011

98

COMPANIES HOUSE

---

**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

**COMPANY INFORMATION**

**EXECUTIVE DIRECTORS**

R Russell  
M Watson  
F Williamson

**COMPANY SECRETARY**

B Gerrard

**COMPANY NUMBER**

3072766

**REGISTERED OFFICE**

Discovery House  
Whiting Road  
Norwich  
NR4 6EJ

**AUDITORS**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

**BANKERS**

Lloyds TSB Plc  
PO Box 72  
Bailey Drive, Gillingham Business Park  
Gillingham  
Kent  
ME8 0LS

---

---

**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

**CONTENTS**

	Page
<b>Directors' report</b>	1 - 3
<b>Statement of directors' responsibilities</b>	4
<b>Independent auditors' report</b>	5 - 6
<b>Profit and loss account</b>	7
<b>Balance sheet</b>	8
<b>Notes to the financial statements</b>	9 - 17

---

## **VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors present their report and the financial statements for the year ended 31 December 2010

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £1 85 million (2009: £2 71 million)

Dividends of £7.91m were declared and paid during the year (2009: £Nil). The directors do not recommend a final dividend for the year (2009: £Nil).

#### **PRINCIPAL ACTIVITIES**

The Company's principal activities are the provision of Individual Savings Accounts (ISAs), the marketing of pension and unit trust products on behalf of related companies, and the marketing and distribution of general insurance and life insurance policies in the UK.

#### **BUSINESS REVIEW**

The Company has concentrated on improving the profitability of its protection products comprising general and life insurance. The Company will continue to focus on increasing sales volumes of these products while maintaining margins and retaining existing customers

Contribution from the Company's Insurance business was broadly flat year-on-year, despite a year of significant transition that saw new insurance partnerships developed with Insure and Go (Travel Insurance) and Capita (Motor and Home insurance). The new travel insurance business has been particularly successful with over 375,000 policies sold in 2010.

Following the acquisition of Church House Trust plc (now renamed Virgin Bank Limited) during the year, the Company transferred the rights to its legacy deposit portfolio to Virgin Bank Limited. The deposit account balances were subsequently transferred from Royal Bank of Scotland plc (RBS) to Virgin Bank Limited and the Company's relationship with RBS was terminated.

Key performance indicators reviewed by management include turnover by business segment, market performance and funds under management, the analysis of which is shown above and in note 2. The Company continues to face risks in relation to market performance in respect of its ISA product and in relation to consumer demand for its other products.

The Company is part of the Virgin Money Group. The risks and key performance indicators facing the wider Virgin Money Group are explained in more detail in the consolidated financial statements of Virgin Money Holdings (UK) Limited.

#### **VIRGIN MONEY GIVING LIMITED**

Virgin Money Personal Financial Service Limited acts as an agent for Virgin Money Giving Limited, a fellow subsidiary undertaking which facilitates the payment of on-line donations to UK Charities. Charitable donations and the associated gift aid are held in client money designated trust accounts and paid directly to the charities. No income is received for this service. The Company complies with the Payment Card Industry Data Security Standard.

---

## **VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **RISKS AND UNCERTAINTIES**

Through the Company's normal operations it is exposed to a variety of risks. The following paragraphs explain the most significant risks and how we manage them.

##### **Capital Management**

The primary objective of the Company's capital management is to ensure that it maintains appropriate levels of regulatory capital surplus and that capital is structured optimally in order to support its business and maximise shareholder value.

The Company manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objective policies and processes during the year ended 31 December 2010.

##### **Operational Risk**

Operational risk is the risk of loss caused by human error, ineffective or inadequately designed processes, system failure, improper conduct, fraud and external events including partner failure. Proper management of operational risk helps to create and preserve value for stakeholders, enabling us to deal effectively with events that create uncertainty and to respond to them in a manner that reduces both their impact and probability.

The Operational Risk Management Framework (ORMF) has been built around the principles of the Turnbull and COSO frameworks. We have adapted the principles in these frameworks to both the size and nature of the Company's business.

The ORMF outlines the governance processes through which operational risk is managed and the tools that are used to achieve this. It enables the application of a consistent approach across all areas of the business through the standardisation of risk and control policies and processes.

##### **Other Business Risks**

Other Business Risks can include a wide variety of risks including Regulatory Risk, Information Security, Business Protection and Legal Risk. Importantly our business model relies on key partners and the integrity of the Virgin brand.

##### **Reputational risk**

Reputational risk is the risk that the business can be adversely affected by events impacting the strength of the brand and financial conditions of the business.

Managing risk to reputation requires an awareness of how our corporate behaviour affects the perception of suppliers, employees, customers and regulators as well as many other secondary stakeholders. We actively manage and monitor our reputational exposures and any impact they may have on the business.

##### **Counterparty risk**

Due to our reliance on counterparties such as business partners and key outsourcers, these counterparties are subject to a strict policy of due diligence and assessment before being accepted. As part of routine risk management activities all counterparties are monitored for changes in credit quality and contractual performance. Contingency plans are in place for all key counterparties.

**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**Treating Customers Fairly**

The Financial Services Authority (FSA) is our main regulator and we support its Treating Customers Fairly (TCF) initiative. Our aim is to offer fair and transparent products that are simple to understand and that are fairly and clearly priced. TCF is a key focus at Virgin Money and is well embedded into our culture. Meeting TCF outcomes for customers is an important consideration in all aspects of our business. The "every one is better off (EBO) with Virgin Money" values are at the heart of our product design and these help to deliver the TCF principles set out by the FSA.

**GOING CONCERN**

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The Company's use of the going concern basis for preparation of the accounts is discussed in note 1.

**LIKELY FUTURE DEVELOPMENTS**

The Company will continue to focus on sales growth of its ISA and protection products, on maintaining the competitiveness of its product range and in identifying new distribution opportunities.

**DIRECTORS**

The directors who served during the year were:

R Russell  
M Watson  
F Williamson (appointed 22 February 2010)  
D Dyer (resigned 22 February 2010)

**PROVISION OF INFORMATION TO AUDITORS**

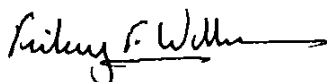
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

**AUDITORS**

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

This report was approved by the board on 21 April 2011 and signed on its behalf by



**F Williamson**  
Director

Registered number. 3072766

## **VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2010**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards 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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

We have audited the financial statements of Virgin Money Personal Financial Service Limited for the year ended 31 December 2010, set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' 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 AUDITORS**

As explained more fully in the Statement of Directors' Responsibilities, set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

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



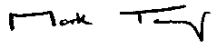
---

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIRGIN MONEY PERSONAL FINANCIAL  
SERVICE 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



Mark J Taylor (Senior Statutory Auditor)

for and on behalf of  
**KPMG LLP, Statutory Auditor**

Chartered Accountants  
15 Canada Square  
London  
E14 5GL

21 April 2011

**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Note</b>	<b>2010 £000</b>	<b>2009 £000</b>
<b>TURNOVER</b>	2	<b>11,072</b>	13,190
Operating costs	3	<b>(8,308)</b>	(10,482)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,764</b>	2,708
Tax on profit on ordinary activities	6	<b>(913)</b>	-
		<hr/>	<hr/>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,851</b>	2,708
		<hr/>	<hr/>

All amounts relate to continuing operations.

There were no recognised gains and losses for the year other than those included in the profit and loss account. As a result, no Statement of Recognised Gains & Losses has been provided.

The accounting policies and notes on pages 9 to 17 form an integral part of these financial statements.

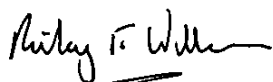
**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**  
**REGISTERED NUMBER: 3072766**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2010**

	Note	£000	2010 £000	£000	2009 £000
<b>CURRENT ASSETS</b>					
Debtors	8	6,049		11,445	
Cash at bank	9	2,648		792	
		<u>8,697</u>		<u>12,237</u>	
<b>CREDITORS:</b> amounts falling due within one year	10	<u>(2,930)</u>		<u>(411)</u>	
<b>NET CURRENT ASSETS</b>			<u>5,767</u>		11,826
<b>NET ASSETS</b>			<u>5,767</u>		<u>11,826</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11		3,000		3,000
Distributable capital reserve	12		-		2,909
Profit and loss account	12		<u>2,767</u>		<u>5,917</u>
<b>SHAREHOLDERS' FUNDS</b>	13		<u>5,767</u>		<u>11,826</u>

The accounting policies and notes on pages 9 to 17 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 21 April 2011



**F Williamson**  
Director

## **VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **1. ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Based on net current assets of £5 8m, current year profit of £1 9m and cash reserves of £2 6m, the directors are confident that the Company will have sufficient resources to meet its liabilities as they fall due

Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

The principal accounting policies are set out below. These have been applied consistently during the year.

##### **1.2 Income recognition**

Revenue is recognised to reflect underlying contracts with product providers, being from the date general insurance and life assurance policies are on risk. Revenue from sales of Individual Savings Accounts (ISA's) is recognised daily based on the average volume of ISA funds under management.

Deposit account and other income is recognised as earned

##### **1.3 Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between treatment of certain items for taxation and accounting purposes

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, except as otherwise required by FRS 19, where transactions or events that result in an obligation to pay more or right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted

##### **1.4 Cash flow statement**

The Company is a wholly owned subsidiary of Virgin Money Holdings (UK) Limited and is included in the consolidated financial statements of Virgin Money Holdings (UK) Limited, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996)

---

## **VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **1. ACCOUNTING POLICIES (continued)**

##### **1.5 Classification of financial instruments issued by the Company**

The financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders funds

##### **1.6 Related party Transactions**

In accordance with the exemption provided in FRS 8 paragraph 3(c) the Company does not disclose transactions with related parties that are part of the Virgin Money Holdings (UK) Limited group.

##### **1.7 Derivatives**

The Company uses various derivative financial instruments to manage its exposures to stock market risks. Gains and losses and associated costs are not recognised in the Company's financial statements until the contract is closed out. At this point the resulting gains and losses are recognised in the profit and loss account

##### **1.8 Accounting estimates and judgements**

The preparation of financial statements in conformity with UK GAAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below

##### **Taxation and deferred tax assets**

Taxation is inherently judgmental and involves estimation techniques to assess the liability in terms of possible outcomes

The assessment of the recoverability or otherwise of deferred tax assets is based mainly on the premise that the Company will generate sufficient profits in the future to realise the deferred tax assets. This is reviewed at each reporting date

## **VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **1. ACCOUNTING POLICIES (continued)**

##### **1.9 Trade debtors**

Trade debtors are stated at cost less provision for impairment

##### **1.10 Provisions for bad and doubtful debts**

Provisions for losses are based on a year end appraisal of commercial assets

The amount charged in the profit and loss account represents losses written off in the year together with the net change in provisions.

##### **1.11 Dividends on shares presented within shareholders' funds**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

##### **1.12 Client Money**

The Company holds money on behalf of some clients in accordance with the Client Money Rules of the Financial Services Authority. Such monies and the corresponding amounts due to clients are not shown on the face of the balance sheet as the Company is not beneficially entitled thereto.

#### **2. TURNOVER**

Turnover is attributable to the sale and management of ISA's, the sale of general insurance policies, the sale of life insurance policies, the deposit account and the marketing of other financial services products.

An analysis of turnover by class of business is as follows:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Income from ISA sales	<b>6,760</b>	7,252
General Insurance brokerage and fees	<b>3,777</b>	5,196
Life insurance commission	<b>216</b>	293
Deposit account and other income	<b>319</b>	449
	<b>11,072</b>	13,190

All turnover arose within the United Kingdom

## **VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **3. OPERATING COSTS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Recharges from fellow subsidiary undertakings	<b>6,984</b>	7,620
Investment expenses	<b>370</b>	364
Other operating charges	<b>954</b>	2,498
Total	<b>8,308</b>	10,482

Other operating charges reflect third party administration expenses and royalty payments for use of the Virgin trademark

All amounts payable to the auditors have been charged to Virgin Money Management Services Limited, a fellow subsidiary undertaking, and are disclosed in the financial statements of that company.

#### **4. DIRECTORS' EMOLUMENTS**

The directors are employed by Virgin Money Management Services Limited, a fellow subsidiary undertaking, and their emoluments are disclosed within the financial statements of that Company. None of the directors were remunerated primarily for the services to Virgin Money Personal Financial Service Limited, and it is not possible to determine the proportion of remuneration that relates to this Company.

#### **5. EMPLOYEE INFORMATION**

The Company did not directly employ any staff during the year. The services of individuals were obtained in exchange for payments made to Virgin Money Management Services Limited, a fellow subsidiary undertaking

**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**6. TAXATION**

	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
Group taxation relief	<b>4</b>	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>780</b>	-
Effect of decreased tax rate on opening asset	<b>129</b>	-
<b>Total deferred tax</b>	<b>909</b>	-
<b>Tax on profit on ordinary activities</b>	<b>913</b>	-

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2009 : lower than) the standard rate of corporation tax in the UK of 28% (2009 : 28%). The differences are explained below.

	<b>2010</b>	2009
	<b>£000</b>	£000
Profit on ordinary activities before tax	<b>2,764</b>	2,708
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 : 28%)	<b>774</b>	758
<b>Effects of:</b>		
Disallowed expenses	<b>1</b>	-
Utilisation of tax losses	<b>(771)</b>	(758)
<b>Current tax charge for the year</b> (see note above)	<b>4</b>	-

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and was effective from 1 April 2011. The UK company's deferred tax assets and liabilities are recognised at 27% at 31 December 2010, reflecting the reduction in the rate at which the assets and liabilities are expected to reverse. On 23 March 2011 it was proposed that the UK corporation tax rate will be reduced further to 26% from 1 April 2011. This change has not been reflected but would result in the deferred tax asset reducing by £70,000 in the accounts.



**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**7. DEFERRED TAX**

A deferred taxation asset of £1,882,000 (2009 £2,791,251) has been recognised in the financial statements in respect of losses to be utilised against profits expected to be earned in the future

	<b>2010</b>	2009
	<b>£000</b>	£000
Deferred tax asset at 1 January	<b>2,791</b>	2,791
Reversal of timing differences	<b>(771)</b>	(758)
Effect of change of tax rate	<b>(129)</b>	-
Amounts not deemed recoverable	<b>(9)</b>	758
	<hr/>	<hr/>
Deferred tax asset at 31 December	<b>1,882</b>	2,791
	<hr/>	<hr/>

**Recognised and unrecognised deferred tax**

	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Recognised</b>		
Capital allowances	<b>146</b>	151
Losses	<b>1,736</b>	2,640
	<hr/>	<hr/>
	<b>1,882</b>	2,791
	<hr/>	<hr/>
<b>Unrecognised</b>		
Losses	<b>1,011</b>	980
	<hr/>	<hr/>

**8. DEBTORS**

	<b>2010</b>	2009
	<b>£000</b>	£000
Trade debtors	<b>908</b>	744
Amounts owed by group undertakings	<b>3,259</b>	7,910
Deferred tax asset (Note 7)	<b>1,882</b>	2,791
	<hr/>	<hr/>
	<b>6,049</b>	11,445
	<hr/>	<hr/>

**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**9. CASH**

The Company is regulated by the Financial Services Authority and generally does not require its cash balance to be used to cover its regulatory capital requirements

The Company holds money on behalf of some clients in accordance with the Client Money Rules of the Financial Services Authority. Such monies and the corresponding amounts due to clients are not shown on the face of the balance sheet as the Company is not beneficially entitled thereto.

**10. CREDITORS:**

**Amounts falling due within one year**

	<b>2010</b>	2009
	<b>£000</b>	£000
Trade creditors	<b>378</b>	12
Amounts owed to group undertakings	<b>301</b>	120
Other creditors	<b>19</b>	12
Accruals and deferred income	<b>2,232</b>	267
	<u><b>2,930</b></u>	<u>411</u>

**11. SHARE CAPITAL**

	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Allotted, called up and fully paid</b>		
3,000,100 Ordinary shares of £1 each	<u><b>3,000</b></u>	<u>3,000</u>

**12. RESERVES**

	<b>Distributable capital reserve £000</b>	<b>Profit and loss account £000</b>
At 1 January 2010	<b>2,909</b>	<b>5,917</b>
Profit for the year		<b>1,851</b>
Dividends: Equity capital (Note 14)		<b>(7,910)</b>
Transfer between reserves	<b>(2,909)</b>	<b>2,909</b>
	<u>-</u>	<u><b>2,767</b></u>
At 31 December 2010		

A distributable capital reserve was created on a court approved capital reduction in 2005. The directors have made a number of transfers, the final one being in 2010, from this capital reserve to the profit and loss account.

## **VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening shareholders' funds	<b>11,826</b>	9,118
Profit for the year	<b>1,851</b>	2,708
Dividends (Note 14)	<b>(7,910)</b>	-
Closing shareholders' funds	<b>5,767</b>	11,826

#### **14. DIVIDENDS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Dividends paid on equity capital	<b>7,910</b>	-

#### **15. RELATED PARTY TRANSACTIONS**

In accordance with the exemption provided in FRS 8 paragraph 3(c) the Company does not disclose transactions with related parties that are part of the Virgin Money Holdings (UK) Limited group

The Company incurred licence fees of £133,069 (2009: £131,897) to Virgin Enterprises Limited. The amount payable at the end of the year was £10,211 (2009: payable £21,103).

#### **16. FINANCIAL SERVICES COMPENSATION SCHEME**

The Financial Services Compensation Scheme ("FSCS") is the UK's compensation fund of last resort for customers of authorised financial services firms. The FSCS may pay compensation if a firm is unable, or likely to be unable, to pay claims against it. This is usually because it has stopped trading or has been declared in default.

The FSCS covers business conducted by firms authorised by the Financial Services Authority (FSA), the independent watchdog set up by government to regulate financial services in the UK and protect the rights of consumers

The FSCS is funded by the financial services industry. Every firm authorised by the FSA is obliged to pay an annual levy, which goes towards the FSCS running costs and the compensation payments made

For the year to 31 December 2010 the Company has paid or accrued for levies of £35,208 covering Scheme Year 2009/2010 in relation to its investment and insurance business

The Company's provision does not include levies for further scheme years, nor for any compensation levies which may arise from any ultimate payout on claims dealt with by the FSCS

**VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**17. ULTIMATE PARENT COMPANY**

The Company is a subsidiary of Virgin Money Holdings (UK) Limited, which is incorporated in Great Britain

Virgin Money Holdings (UK) Limited is the smallest group in which the financial statements of the Company are consolidated. The consolidated financial statements of Virgin Money Holdings (UK) Limited may be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ.

Virgin Financial Services UK Holdings Limited is the largest group in which the financial statements of the Company are consolidated. The consolidated financial statements of Virgin Financial Services UK Holdings Limited may be obtained from Companies House, Crown Way, Cardiff, CF4 3UZ.

The Company's direct and ultimate controlling party is Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.