

VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED

Annual Report

31 December 2013

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Virgin Money Personal Financial Service Limited

COMPANY INFORMATION

EXECUTIVE DIRECTORS

Mark Parker
Marian Watson
Finlay Williamson

COMPANY SECRETARY

Katie Marshall

COMPANY NUMBER

3072766

REGISTERED OFFICE

Jubilee House
Gosforth
Newcastle-upon-tyne
NE3 4PL

AUDITOR

KPMG LLP
15 Canada Square
London
E14 5GL

Virgin Money Personal Financial Service Limited

STRATEGIC REPORT

For the year ended 31 December 2013

The Directors present their Strategic Report for the year ended 31 December 2013. Virgin Money Personal Financial Service Limited's (the "Company") financial statements have been consolidated at the Group level in the financial statements of Virgin Money Holdings (UK) Limited.

Any reference to "Group" or "Virgin Money Group" within this report and the financial statements mean Virgin Money Holdings (UK) Limited and its subsidiaries, including Virgin Money Personal Financial Service Limited.

The principal activities of the Company are the provision of Stocks and Shares Individual Savings Accounts (ISAs) and the marketing and distribution of general insurance and life insurance policies in the UK. The Company also provides payment services in support of Virgin Money Giving Limited, another Group company.

The products that are currently on offer are the FTSE Tracker ISA, Climate Change ISA and Virgin Bond and Gilt ISA.

The key performance indicators reviewed by Management include turnover by business segment, market performance and funds under management.

Key Performance Indicators	2013	2012
FTSE All-share Index (at 31 December)	3,610	3,093
Funds under management (£bn)	0.90	0.76
Insurance sales ('000's)	386	632
Profit before tax (£m)	4.16	3.75

ISA funds under management increased by 18.4% in 2013, aided by growth in the FTSE All-share Index during the course of the year. Income from the Stocks and Shares ISA business increased by 14.8% compared with 2012 (2012 increase of 3.9%), as the new business performance continued to strengthen during 2013.

Revenue has increased by 5.0% to £11.22 million in 2013, compared with £10.69 million in 2012. This is mainly due to an increase in funds under management income reflected in ISA commission offset by a decline in general insurance. The year on year costs are broadly stable, which has resulted in profit before tax increasing from £3.75 million in 2012 to £4.16 million in 2013.

New non-interest income products are to be sourced in 2014. The Company will continue to focus on maintaining and improving the competitiveness of its product range, growing sales of protection products and seeking to identify new distribution opportunities.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to a variety of risks through its normal operations, including the performance of its underlying funds under management, which are themselves subject to movements in stock markets. The following paragraphs explain the most significant risks and how they are managed.

- **Outsourcing risk** the risk that the Company fails in its responsibility to oversee and control third parties on which it is reliant for the performance of critical operational functions, including regulated activities. Failure to meet required standards may place the Company at risk of regulatory sanction and could result in loss of income or reputational damage. The Company manages this risk by performing due diligence on all third party providers and, following appointment, by performing regular monitoring of third parties against agreed service levels. There have been no material issues identified during the year.
- **Market risk** the risk that the Company's income falls due to the impact of stock market movements on funds under management.

Virgin Money Personal Financial Service Limited

STRATEGIC REPORT (CONTINUED) For the year ended 31 December 2013

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- **Regulatory risk** the risk that the Company fails to comply with its regulatory requirements with the potential that the Company
 - treats customers unfairly, potentially exposing them to financial or other detriment
 - is subject to legal or regulatory sanction
 - suffers reputational damage
 - is used for the purposes of financial crime

The Virgin Money Group Risk Function supports the Company to develop policies, deliver training and perform monitoring checks to ensure compliance with regulatory requirements

- **Operational risk** the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. A range of indicators covering the Company's operations is reviewed by Management and the Board regularly throughout the year. All key business processes are subject to periodic reviews by the Virgin Money Group's Risk and Internal Audit teams to ensure that appropriate controls are in place and operating effectively
- **Credit risk** the risk that a counterparty fails to pay the Company monies owed. The Company manages this risk by undertaking due diligence on prospective counterparties and monitoring their position on an ongoing basis
- **Liquidity risk** the risk that the Company is unable to meet its obligations as they fall due. The Company's cash position is monitored by Management on a regular basis and liquidity is supported by intercompany facilities if required
- **Legal risk** the risk of legal sanction, material financial loss or loss of reputation that the Company may suffer as a result of its failure to comply with the law, inadequately document its contractual arrangements or inadequately assess and implement changes required by forthcoming legislation or emerging case law. The Virgin Money Group Legal function supports the Company in meeting its contractual obligations and assessing legal developments
- **Strategic risk** the risk of significant loss or damage arising from business decisions that impact the medium to long term interests of the shareholders, this includes reputational risk

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.

This report was approved by the Board on 3 March 2014 and signed on its behalf by



Marian Watson
Director

Registered No. 3072766

Virgin Money Personal Financial Service Limited

DIRECTORS' REPORT

For the year ended 31 December 2013

The Directors have pleasure in presenting the Annual Report and Accounts for Virgin Money Personal Financial Service Limited ("the Company") for the year ended 31 December 2013

The Company's financial statements have been consolidated at the Group level in the financial statements of Virgin Money Holdings (UK) Limited. Any references to "Group" or "Virgin Money Group" within this report and the financial statements means Virgin Money Holdings (UK) Limited and its subsidiaries, including the Company

STRATEGIC REPORT

The Companies Act 2006 requires us to present a fair review of the business of the Company during the financial year ended 31 December 2013 and of the position of the Company at the end of the financial year and a description of the principal risks and uncertainties facing the Company

The purpose of the Strategic Report is to enable our shareholder to assess how the Directors have performed their duty under section 172 of the Companies Act 2006, namely their duty to promote the success of the Company. The Strategic Report can be found on pages 2-3

DIVIDENDS

Dividends of £Nil were declared and paid during the year (2012: £Nil). The Directors do not recommend a final dividend for the year (2012: £Nil)

DIRECTORS

The current composition of the Board of Directors together with details of appointments and resignations up to the date of this report is as follows

Mark Parker
Marian Watson
Finlay Williamson

Company Secretary

Stephen Pearson (resigned 1 October 2013)
Katie Marshall (appointed 1 October 2013)

DIRECTORS' POWERS AND INDEMNITIES

As at the date of this report, specific indemnities are in force under which the Company has agreed to indemnify each Director individually, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the Company

The Company has also arranged Directors' and Officers' Insurance on behalf of the Directors in accordance with the provisions of the Companies Act 2006

GOING CONCERN

The Directors are satisfied at the time of approval of the financial statements that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts. The Company's use of the going concern basis for the preparation of the accounts is discussed in note 1 to the financial statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable laws and regulations

Company law requires the Directors to prepare company financial statements for each financial year. Under the law, the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law

Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that period

Virgin Money Personal Financial Service Limited

DIRECTORS' REPORT (CONTINUED) For the year ended 31 December 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

In preparing the Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and,
- 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 which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

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

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 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 3 March 2014 and signed on its behalf by



Marian Watson
Director

Registered No 3072766

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED

We have audited the accompanying financial statements of Virgin Money Personal Financial Service Limited for the year ended 31 December 2013 as set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Statement of 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 (APB) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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.



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

3 March 2014

Virgin Money Personal Financial Service Limited

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Revenue	2	11,224	10,692
Operating expenses	3	(7,322)	(7,363)
Operating profit		3,902	3,329
Interest receivable and similar income		264	243
Finance (cost) / income		(2)	175
Profit before taxation		4,164	3,747
Taxation	6	(975)	(726)
Profit for the year after tax and attributable to owners		3,189	3,021
Total comprehensive income for the year attributable to owners		3,189	3,021

All profits are from continuing operations

The notes on pages 11 to 17 form an integral part of these financial statements

Virgin Money Personal Financial Service Limited

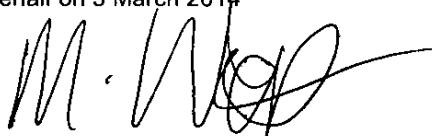
BALANCE SHEET

As at 31 December 2013

	Note	2013 £'000	2012 £'000
Assets			
Amounts owed by group undertakings		14,187	9,133
Trade and other receivables	7	975	995
Cash and cash equivalents	8	2,025	1,100
Deferred taxation	9	290	1,255
Total assets		17,477	12,483
Liabilities			
Amounts owed to group undertakings		3,170	1,337
Trade and other payables	10	299	327
Total current liabilities		3,469	1,664
Total liabilities		3,469	1,664
Equity			
Issued capital	11	3,000	3,000
Retained earnings		11,008	7,819
Total equity		14,008	10,819
Total equity and liabilities		17,477	12,483

The notes on pages 11 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 3 March 2014



Manan Watson
Director

Registered No 3072766

Virgin Money Personal Financial Service Limited

STATEMENT OF CHANGES IN EQUITY As at 31 December 2013

	Ordinary share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013	3,000	7,819	10,819
Profit and total comprehensive income for the year	-	3,189	3,189
Balance at 31 December 2013	3,000	11,008	14,008
Balance at 1 January 2012	3,000	4,798	7,798
Profit and total comprehensive income for the year	-	3,021	3,021
Balance at 31 December 2012	3,000	7,819	10,819

The notes on pages 11 to 17 form an integral part of these financial statements

Virgin Money Personal Financial Service Limited

CASH FLOW STATEMENT

For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Operating profit for the year		3,902	3,329
Decrease / (increase) in trade and other receivables		20	(362)
Net increase in amounts due to group undertakings		1,285	1,839
Decrease in trade and other payables		(19)	(1,115)
Cash generated from operations		5,188	3,691
Net finance (cost) / income		(2)	178
Income taxes paid		(61)	(25)
Net cash from operating activities		5,125	3,844
Cash flows from financing activities			
Loan repaid		-	(1,443)
Advances to group undertakings		(4,200)	(2,100)
Net cash from financing activities		(4,200)	(3,543)
Net increase in cash and cash equivalents		925	301
Cash and cash equivalents at 1 January		1,100	799
Cash and cash equivalents at 31 December	8	2,025	1,100

The notes on pages 11 to 17 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1 ACCOUNTING POLICIES

1.1 *Reporting entity*

Virgin Money Personal Financial Service Limited is a company incorporated and registered in England and Wales

1.2 *Basis of preparation*

The financial statements, which should be read in conjunction with the Strategic Report and the Directors' Report, have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

The financial statements have been prepared under the historical cost convention

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

1.3 *Revenue*

Revenue comprises the fair value for services, net of value added tax, rebates and discounts

Revenue from the sale of general insurance and life insurance policies is recognised in full on the effective date of commencement or renewal of the related policies to reflect underlying contracts with product providers

Revenue from sales of Individual Savings Accounts (ISA's) is recognised daily based on the average volume of ISA funds under management

1.4 *Finance (cost) / income*

Interest income is recognised as it accrues in Statement of Comprehensive Income, using the effective interest rate method

1.5 *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows

1.6 *Taxation*

Taxation comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that there are items that are recognised directly in equity or other comprehensive income

Current tax is based on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised

1.7 *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects

1.8 *Dividends*

Dividends paid on the Company's ordinary shares are recognised as a reduction in equity in the period in which they are paid

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

1 ACCOUNTING POLICIES (CONTINUED)

1.9 *Client money*

The Company holds money on behalf of some clients in accordance with the Client Money Rules of the Financial Conduct 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 the beneficial owner.

1.10 *Financial Instruments*

The Company has various financial assets such as trade receivables and cash and short-term deposits which arise directly from its operations.

Financial Instruments

Management determines the classification of its financial instruments at initial recognition. Financial assets can be classified in the following categories:

- (1) loans and receivables,
- (2) available for sale,
- (3) held to maturity, or
- (4) financial assets at fair value through profit and loss.

All of the Company's financial assets are classified as loans and receivables. They comprise the amounts owed by group undertakings, trade and other receivables and cash and cash equivalents.

All the Company's financial liabilities are classified as financial liabilities at amortised cost and comprise amounts owed to group undertakings and trade and other payables.

Loans and Receivables and Financial Liabilities at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, whose recoverability is based solely on the credit risk of the customer and where the Company has no intention of trading the loan. Both loans and receivables and financial liabilities are initially recognised at fair value including direct and incremental transaction costs. Subsequent recognition is at amortised cost using the effective interest rate method less any provision for impairment.

1.11 *Accounting estimates and judgements*

The preparation of financial statements in conformity with IFRS 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 discussed below.

Revenue from the sale of general insurance and life insurance policies

Revenue earned on the sale of general insurance and life insurance products is recognised as commission revenue. Management have assessed the terms of the contract, and consider that the Company acts as an agent in the transaction rather than as principal. Management considered the following factors:

- the Company does not bear any underwriting risk in respect of the policies sold,
- the Company does not set underwriting criteria, and,
- the Company does not collect the premium income from the customer or deal with the administrative requirements in connection with the products sold.

Taxation and deferred tax assets

Taxation is inherently judgemental 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 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 (CONTINUED)

For the year ended 31 December 2013

1 ACCOUNTING POLICIES (CONTINUED)

1.12 Accounting developments

There are no new standards, amendments to standards or interpretations that are mandatory for the first time for financial years beginning on 1 January 2013 and have been endorsed for adoption by the EU which have a material impact on the Company

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

No new standards, amendments to standards or interpretations which have been published, but are not yet effective are expected to have a material impact on the Company

2 REVENUE

Revenue is attributable to the sale and management of ISAs, the sale of general insurance policies, the sale of life insurance policies and the marketing of other financial services products. All revenue is derived from the UK. The sale of new life policies ceased in 2012 which has resulted in a claw back of commission due to customers cancelling their products in 2013.

An analysis of revenue by class of business is as follows

	2013 £'000	2012 £'000
Income from ISA sales	8,658	7,539
General insurance commission	2,517	2,794
Life insurance (expense) / commission	(29)	201
Other income	78	158
	<u>11,224</u>	<u>10,692</u>

3 OPERATING EXPENSES

	2013 £'000	2012 £'000
Recharges from fellow subsidiary undertakings	5,774	5,991
Investment expenses	518	433
Other operating charges	1,030	939
	<u>7,322</u>	<u>7,363</u>

Other operating charges reflect third party expenses, licence fees for use of the Virgin trademark and other administration expenses

Auditor's remuneration

	2013 £'000	2012 £'000
Audit of these financial statements	<u>18</u>	<u>17</u>

Fees paid to the Company's auditor, KPMG LLP, for services other than the statutory audit of the Company are not disclosed in these accounts. Instead they are required to be disclosed in the consolidated accounts of the Company's parent, Virgin Money Holdings (UK) Limited.

4 DIRECTORS' REMUNERATION

In 2012 the Directors were employed by Virgin Money Management Services Limited and Virgin Money plc, both part of the Virgin Money Group. On 1 April 2013 new contracts of employment took effect resulting in all employees being employed by Virgin Money plc from this date. The Directors' remuneration is accounted for within the financial statements of Virgin Money Holdings (UK) Limited, the Company's parent, and Virgin Money plc, another Group company.

None of the Directors were remunerated primarily for their services to Virgin Money Personal Financial Service Limited, and it is not possible to determine the proportion of remuneration that relates to this Company.

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

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 other Group companies.

6 TAXATION

	2013 £'000	2012 £'000
Current tax		
Profits subject to corporation tax group relieved	61	102
Adjustments in respect of prior periods	(51)	(3)
Total current tax	10	99
Deferred tax		
Reversal of timing differences	907	526
Effect of changes in tax rates	18	101
Adjustments in respect of prior periods	40	-
Total deferred tax	965	627
Total tax charge	975	726

Tax Reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the standard weighted average rate of UK corporation tax of 23.25% (2012: 24.5%) as follows:

	2013 £'000	2012 £'000
Profit for the period	4,164	3,747
Tax at effective corporation tax rate of 23.25% (2012: 24.5%)	968	918
effects of		
Changes in tax rates	18	101
Recognition of previously unprovided tax losses	-	(290)
Adjustments in respect of prior periods	(11)	(3)
Total tax expense	975	726

The UK Government announced in March 2012 that the main rate of UK corporation tax would reduce from 26% to 24% from 1 April 2012. That rate reduction was substantively enacted in March 2012 with a further reduction in the rate to 23% from 1 April 2013 substantively enacted in July 2012. This has resulted in a weighted average corporation tax rate of 23.25% for the year ended 31 December 2013 (2012: 24.5%).

It was announced in December 2012 that the main rate of UK corporation tax would reduce from 23% to 21% from 1 April 2014. It was then subsequently announced in March 2013 that the main rate would be subject to a further reduction to 20% from 1 April 2015. Both of these rate reductions were substantively enacted in July 2013. The substantive enactment of these rate reductions has been reflected in the computation of the net deferred tax asset recognised by the Company with account taken of the tax rates that will apply when the various temporary differences are expected to reverse.

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

7 TRADE AND OTHER RECEIVABLES

	2013 £'000	2012 £'000
Trade Debtors	975	995

The Company's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 12

8 CASH AND CASH EQUIVALENTS

	2013 £'000	2012 £'000
Bank balances	2,025	1,100
Cash and cash equivalents in the cash flow statement	2,025	1,100

The Company administers money on behalf of some clients in accordance with the Client Money Rules of the Financial Conduct 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 the beneficial owner.

The Company's exposure to interest rate risk is disclosed in note 12.

The lowest external rating of the three rating agencies, Moody's, Standard & Poor's Rating Services and Fitch Rating, is used to assess the credit quality of cash and cash equivalents. This is set out in the table below.

	2013 £'000	2012 £'000
Credit quality of cash and cash equivalents		
A rating (2012: A rating)	2,025	1,100

9 DEFERRED TAXATION

Deferred taxation is attributable to the following:

	Assets	
	2013 £'000	2012 £'000
Excess of depreciation over capital allowances	75	101
Unused tax losses	215	1,154
Recognised deferred tax assets	290	1,255

There were no unrecognised deferred tax assets (2012: None).

Movement in temporary differences in the year:

	Balance at 1 Jan 2012 £'000	Recognised in income £'000	Balance at 31 Dec 2012 £'000	Recognised in income £'000	Balance at 31 Dec 2013 £'000
Capital allowances	-	101	101	(26)	75
Tax losses	1,882	(728)	1,154	(939)	215
	1,882	(627)	1,255	(965)	290

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

10 TRADE AND OTHER PAYABLES

	2013 £'000	2012 £'000
Trade creditors	21	107
Accruals and deferred income	205	166
Other creditors	73	54
	299	327

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 12

11 ISSUED CAPITAL

Share Capital	2013		2012	
	Shares	£'000	Shares	£'000
Allotted, called up and fully paid ordinary shares of £1 each	3,000,100	3,000	3,000,100	3,000

Dividends

No dividends were declared by the Company in the current or prior year

12 RISK MANAGEMENT AND MONITORING

The main risks arising from the Company's financial instruments are credit risk, market risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks which are summarised below

Credit Risk

The Company trades only with recognised, credit worthy third parties. It is the Company's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with the maximum exposure equal to the carrying amount of these instruments. No significant transactions occur outside of the UK and the carrying amount of financial assets represents the maximum credit exposure.

Market Risk

Market risk is the risk that the value of, or net income arising from, the Company's assets and liabilities changes as a result of changes to interest rates, or following a movement in the stock market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising return. The Company is not exposed to currency risk.

The cash and cash equivalents held expose the Company to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. No sensitivity analysis has been performed on interest income as any changes in the interest rates would not have a material impact on the reported result.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's short term liquidity requirements are supported by a facility with Virgin Money Holdings (UK) Limited. Overall liquidity of the Virgin Money Group is managed centrally.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2013

12 RISK MANAGEMENT AND MONITORING (CONTINUED)

Fair Values

There are no differences between the carrying amounts and fair values of financial assets and liabilities

Trade and Other Receivables/Payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value

13 RELATED PARTY TRANSACTIONS

	Transaction value year ended		Balance outstanding as at	
	31 December		31 December	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Licence Fees payable to Virgin Enterprises Ltd	122	133	9	7
Recharges and trading balances with group undertakings	5,774	6,018	(2,281)	(1,037)
Interest and loan balances with group undertakings	264	241	13,299	8,834

The Company incurs licence fees for the use of the Virgin trademark to Virgin Enterprises Limited

The Company acts as an agent for Virgin Money Giving Limited (also a subsidiary of Virgin Money Holdings (UK) Limited), undertaking activities which facilitate the payment of online 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.

No transactions with Directors or Key Management Personnel occurred during the year (2012: £Nil)

14 FINANCIAL SERVICES COMPENSATION SCHEME

The Financial Services Compensation Scheme ("FSCS") is the UK's statutory fund of last resort for customers of authorised financial services firms and pays compensation if a firm is unable to pay claims against it. The FSCS has borrowed from HM Treasury to fund the compensation costs associated with institutions that failed in 2008 and will receive the receipts from asset sales, surplus cash flows and other recoveries from these institutions in the future.

The FSCS meets its obligations by raising management expense and compensation levies. These include amounts to cover the interest on its borrowings and ongoing management expenses. Each deposit taking institution contributes in proportion to its share of total protected deposits.

The Company has paid levies of £179,000 (2012: £166,000) with respect to levies for Scheme Year 2013/2014 and additional amounts invoiced for 2012/2013 in relation to its investment business.

15 ULTIMATE PARENT COMPANY

The Company is a subsidiary of Virgin Money Holdings (UK) Limited, a company incorporated and registered in England and Wales.

Virgin Money Holdings (UK) Limited is the largest and 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.

The Company's direct and ultimate controlling party is Virgin Money Holdings (UK) Limited.

16 SUBSEQUENT EVENTS

There have been no material events after the reporting period requiring disclosure between 31 December 2013 and the signing of these accounts.