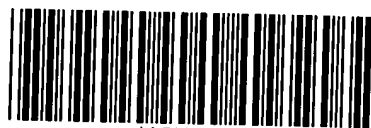


VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED

Annual Report and Accounts

31 December 2015

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Virgin Money Personal Financial Service Limited

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Virgin Money Personal Financial Service Limited

COMPANY INFORMATION

DIRECTORS

Marian Martin (formerly Marian Watson)
Grant Lyall (appointed 4 January 2016)
Mark Parker (resigned 23 September 2015)
Darrell Evans (appointed 22 June 2015, resigned 9 December 2015)

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 2015

The aim of Virgin Money Personal Finance Service Limited (the "Company") is to provide customers with a range of leading insurance and investment products and other financial services. This includes our Stocks and Shares Individual Savings Account (ISA) and general insurance policies.

At the end of 2015 the following products were available to our customers:

- Stocks and Shares Individual Savings Account (ISA);
- Travel and Home Insurance;
- Other Insurance (including Pet); and
- Travel Money and International Money Transfer services (launched in 2015).

Our business strategy is based on a partnership model. We seek partners who share our commitment to straightforward and transparent products. We leverage their capabilities with the Virgin Money brand and marketing expertise, whilst moderating financial risk.

Investments

We have long term strategic partnerships in place with State Street Global Advisors and International Financial Data Services. Together, they provide the Company with a full range of investment management and administration services. In 2015, we launched three new investment funds, increasing the number of passively managed funds in our range to five. The new funds offer customers more investment choice and provide the opportunity to continue to grow investment funds under management.

Developments in the market included the personal ISA limit increasing to £15,240 and the implementation of the new CASS requirements, which became effective in June 2015. We worked with our strategic partners to implement these changes, which presented significant challenges to the sector as a whole.

Insurance

In relation to insurance we entered into a new agreement with our strategic partner Ageas in 2014. This allowed us to re-launch our home insurance product in the second half of 2015. Ageas provides sales, servicing, administration and claims management support to Virgin Money customers.

Other

During the second half of the year we continued to expand the range of products and services on offer to customers with the launch of new Travel Money and International Money Transfer services in partnership with Travelex and World First respectively. We also continue to provide payment services to Virgin Money Giving Limited, a subsidiary in the Virgin Money Group offering a not-for-profit on-line charitable donations service.

FINANCIAL PERFORMANCE

The key performance indicators in 2015 are shown in the table below:

Key Performance Indicators	2015	2014
FTSE All-Share index (at 31 December)	3,444	3,533
Funds under management (£m)	945	936
Income from ISA sales (£m)	9.9	9.6
General insurance commission (£m)	2.4	2.5
Profit before tax (£m)	5.6	5.8

Total revenue increased by 2% to £12.4 million for the year ended 31 December 2015 (2014: £12.1 million). Despite the increase in revenue, profit before tax decreased from £5.8 million to £5.6 million, primarily as a result of an increase in third party operating costs.

Investments

Closing funds under management grew by 1% to £945 million at 31 December 2015 (2014: £936 million). A 4% increase in income from ISA sales to £9.9 million (2014: £9.6 million) is reflective of the year on year growth in average funds under management.

STRATEGIC REPORT (CONTINUED)

For the year ended 31 December 2015

The largest fund, Virgin UK Index Tracking Trust, accounted for 84% of the closing funds under management and was the primary source of investment revenue in 2015, contributing £8.1 million. The performance of this fund is directly linked to the performance of the FTSE All Share index, which experienced significant volatility during 2015. The FTSE All Share ended the year down at 3,444 from 3,533 at the prior year end, however, revenue increased as a result of higher average funds under management during the course of the year.

Insurance

Total revenue from insurance commission reduced by 3% to £2.4 million during the year (2014: £2.5 million). The most significant contribution was from Travel insurance sales which remained consistent with the prior year at £2.1 million. This was achieved, despite a fall in overall sales, by re-positioning the offering to more profitable channels. The overall reduction in insurance commission was a result of the withdrawal of previous general insurance products, under former agreements, allowing for the launch of new products in the second half of the year. A new home product was launched and the insurance product portfolio is expected to drive future revenue growth.

Other

To further broaden our customer offering and leverage existing customer relationships, we launched Travel Money and International Money Transfer commission income products in 2015. These products are expected to generate revenue from 2016 onwards.

FUTURE DEVELOPMENTS

The Company intends to drive growth in funds under management and continue to grow the insurance business following the enhancements made to our product offering in 2015.

PRINCIPAL RISKS

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 and bond 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. We continue to refine our operating model to oversee key outsourcers in recognition of our reliance on excellent execution from third parties which necessitates more sophisticated approaches.
- **Market risk:** the risk that the Company's income falls due to the impact of stock and bond market movements on funds under management.
- **Compliance 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;
 - failure to ensure custody assets and client money are appropriately safeguarded;
 - is subject to legal or regulatory sanction;
 - suffers reputational damage; or
 - is used for the purposes of financial crime.

The 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 Group's Risk and Internal Audit teams to ensure that appropriate controls are in place and operating effectively.

Virgin Money Personal Financial Service Limited

STRATEGIC REPORT (CONTINUED)

For the year ended 31 December 2015

- **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 Group Legal function supports the Company in meeting its contractual obligations and assessing legal developments.

The Company is part of the 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) plc.

This report was approved by the Board on 1 March 2016 and signed on its behalf by:



Marian Martin
Director

Registered No. 3072766

Virgin Money Personal Financial Service Limited

DIRECTORS' REPORT

For the year ended 31 December 2015

The Directors present the Annual Report and Accounts for the year ended 31 December 2015. Virgin Money Personal Financial Service Limited's (the "Company") financial statements have been prepared on a solo basis and are consolidated at the Group level in the financial statements of Virgin Money Holdings (UK) plc.

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

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 2015, 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 2-4.

DIVIDENDS

The Directors do not recommend a final dividend for the year (2014: £Nil).

DIRECTORS

The current composition of the Board of Directors together with details of appointments and resignations up to the date of this report are shown on page 1.

DIRECTORS' POWERS AND INDEMNITIES

The Directors of the Company, including former Directors who stepped down during the year, have entered into individual deeds of indemnity with the Company which constituted 'qualifying third party indemnity provisions' for the purposes of the Act. The deeds indemnify the Directors to the maximum extent permitted by law and remain in force for the duration of a Director's period of office and for a period of six years thereafter. The deeds were in force during the whole of the financial year or from the date of appointment for those Directors appointed in 2015. Deeds for existing Directors are available for inspection at Virgin Money's registered office. In addition, the Company had appropriate Directors' and Officers' insurance cover in place throughout 2015.

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.

FUTURE DEVELOPMENTS

Information about future developments of the Company can be found in the Strategic Report.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Information in relation to financial reporting and financial risk management objectives and policies in relation to the use of financial instruments can be found in note 14 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with IFRSs 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 the profit or loss of the Company for that period.

Virgin Money Personal Financial Service Limited

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS (CONTINUED)

In preparing these 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 IFRSs 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 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 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.

Pursuant to Section 487 of the Companies Act 2006, the auditor was deemed to be reappointed and therefore KPMG LLP continued in office for the financial period 1 January 2015 to 31 December 2015.

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

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

This report was approved by the Board on 1 March 2016 and signed on its behalf by:



Marian Martin
Director

Registered No. 3072766

Virgin Money Personal Financial Service Limited

INDEPENDENT AUDITOR'S 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 2015 set out on pages 8 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the 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

1 March 2016

Virgin Money Personal Financial Service Limited

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue	2	12,377	12,084
Operating expenses	3	(7,233)	(6,684)
Operating profit		5,144	5,400
Interest receivable on intercompany loans		456	388
Profit before taxation		5,600	5,788
Taxation	6	(1,128)	(1,248)
Profit for the year after tax attributable to owners		4,472	4,540
Total comprehensive income for the year attributable to owners		4,472	4,540

All profits are from continuing operations.

The notes on pages 12 to 19 form an integral part of these financial statements.

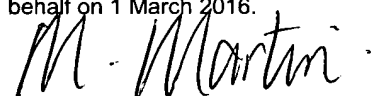
Virgin Money Personal Financial Service Limited

BALANCE SHEET As at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Amounts owed by group undertakings	7	22,296	15,350
Trade and other receivables	8	987	936
Cash and cash equivalents	9	2,754	3,983
Deferred taxation	10	59	59
Total assets		26,096	20,328
Liabilities			
Amounts owed to group undertakings	11	2,515	1,545
Trade and other payables	12	561	235
Total liabilities		3,076	1,780
Equity			
Issued capital	13	3,000	3,000
Retained earnings		20,020	15,548
Total equity		23,020	18,548
Total equity and liabilities		26,096	20,328

The notes on pages 12 to 19 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 1 March 2016.



Marian Martin
Director

Registered No. 3072766

Virgin Money Personal Financial Service Limited

STATEMENT OF CHANGES IN EQUITY As at 31 December 2015

	Ordinary share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	3,000	15,548	18,548
Profit and total comprehensive income for the year	-	4,472	4,472
Balance at 31 December 2015	3,000	20,020	23,020
Balance at 1 January 2014	3,000	11,008	14,008
Profit and total comprehensive income for the year	-	4,540	4,540
Balance at 31 December 2014	3,000	15,548	18,548

The notes on pages 12 to 19 form an integral part of these financial statements.

Virgin Money Personal Financial Service Limited

CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit before tax		5,600	5,788
(Increase) / decrease in trade and other receivables		(51)	39
Decrease in trading amounts owed by other group undertakings		413	475
Increase / (decrease) in amounts owed to group undertakings		568	(2,288)
Increase in trade and other payables		326	(65)
Cash generated from operations		6,856	3,949
Group relief paid		(726)	(353)
Net cash from operating activities		6,130	3,596
Cash flows from financing activities			
Advances to group undertakings (including interest)		(7,359)	(1,638)
Net cash outflows from financing activities		(7,359)	(1,638)
Net (decrease) / increase in cash and cash equivalents		(1,229)	1,958
Cash and cash equivalents at 1 January		3,983	2,025
Cash and cash equivalents at 31 December	9	2,754	3,983

The notes on pages 12 to 19 form an integral part of these financial statements.

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 and the Companies Act 2006.

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 ISA is recognised daily based on the average volume of ISA funds under management.

1.4 Interest receivable

Interest income is recognised as it accrues in the 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 they relate to items 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.

The Company's capital is represented by the issued capital and reserves and these are managed in order that there is sufficient capital to meet the needs of the Company in its operations. The Company has complied with all capital requirements set by the regulators throughout the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

1. ACCOUNTING POLICIES (CONTINUED)

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.

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

The determination of the Company's provision for income tax, deferred tax assets and liabilities and potential tax liabilities involves estimates and judgements on certain matters, for which the ultimate outcome may be uncertain. This is reviewed at each reporting date by the Directors.

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

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 2015 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

IFRS 15 'Revenue from Contracts with Customers' is effective from 1 January 2018. The Company is reviewing the requirements of the new standard to determine their effect, if any, on its financial reporting.

No other 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 one continuing activity, being management fees generated from the sale and management of authorised unit trusts and pensions. All revenue is derived from the UK.

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

	2015 £'000	2014 £'000
Income from ISA sales	9,941	9,550
General insurance commission	2,416	2,492
Other income	20	42
	12,377	12,084

3. OPERATING EXPENSES

	2015 £'000	2014 £'000
Recharges from fellow subsidiary undertakings	4,911	5,034
Investment expenses	683	582
Other operating charges	1,639	1,068
	7,233	6,684

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

Auditor's remuneration

	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the Company's accounts	18	18

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 disclosed in the consolidated accounts of the Company's parent, Virgin Money Holdings (UK) plc.

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

4. DIRECTORS' REMUNERATION

All employees are employed by Virgin Money plc. The Directors' remuneration is accounted for within the financial statements of Virgin Money Holdings (UK) plc, 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.

5. EMPLOYEE INFORMATION

The Company did not directly employ any staff during the year. The services of individuals were obtained in exchange for payments to other Group companies.

6. TAXATION

	2015 £'000	2014 £'000
Current tax		
Group relief payable	(1,121)	(1,017)
Adjustments in respect of prior years	(7)	-
Current tax charge	(1,128)	(1,017)
Deferred tax		
Reversal of temporary differences	(13)	(234)
Reduction in UK corporation tax rate	-	2
Adjustments in respect of prior years	13	1
Deferred tax charge	-	(231)
Tax charge	(1,128)	(1,248)

Tax Reconciliation

The tax on the Company's profit before tax differs from that which would arise using the standard weighted average rate of UK corporation tax of 20.25% (2014: 21.50%) as follows:

	2015 £'000	2014 £'000
Profit before tax	5,600	5,788
Tax charge at effective corporation tax rate of 20.25% (2014: 21.50%)	(1,134)	(1,244)
Factors affecting (charge):		
UK corporation tax rate change	-	2
Adjustments in respect of prior years	6	1
Other items	-	(7)
Total tax charge	(1,128)	(1,248)

The Finance Act 2013 (the Act) was substantively enacted on 2 July 2013. The Act reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The Finance (No. 2) Act 2015 was substantively enacted on 26 October 2015. This reduced the main rate of corporation tax further to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020.

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

7. AMOUNTS OWED BY GROUP UNDERTAKINGS

	2015 £'000	2014 £'000
Loans to the parent undertaking	22,296	14,937
Trading amounts owed by other group undertakings	-	413
	<u>22,296</u>	<u>15,350</u>

Loan balances with the parent undertaking have no fixed maturity. From 5 October 2015 interest accrued on these balances at 2% + 6 month Libor, and prior to this date at 1.5% + 3 month Libor.

8. TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Trade Debtors	<u>987</u>	<u>936</u>

9. CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Bank balances	2,754	3,983
Cash and cash equivalents in the cash flow statement	<u>2,754</u>	<u>3,983</u>

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 14.

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:

	2015 £'000	2014 £'000
Credit quality of cash and cash equivalents		
A rating (2014: A rating)	<u>2,754</u>	<u>3,983</u>

10. DEFERRED TAXATION

Based on their interpretation of the timing and level of reversal of existing taxable temporary differences, in line with relevant accounting standards, the Directors conclude that a net deferred tax asset of £59,000 (2014: £59,000) should be recognised at the balance sheet date.

	2015 £'000	2014 £'000
Accelerated capital allowances	59	59
Total deferred tax assets	<u>59</u>	<u>59</u>

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

11. AMOUNTS OWED TO GROUP UNDERTAKINGS

	2015 £'000	2014 £'000
Trading amounts owed to group undertakings	1,387	819
Group relief payable	1,128	726
	<u>2,515</u>	<u>1,545</u>

12. TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Trade creditors	4	10
Accruals and deferred income	523	204
Other creditors	34	21
	<u>561</u>	<u>235</u>

13. ISSUED CAPITAL

Share Capital	2015		2014	
	Shares	£'000	Shares	£'000
Allotted, called up and fully paid ordinary shares of £1 each	<u>3,000,100</u>	<u>3,000</u>	3,000,100	3,000

Dividends

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

14. 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 any significant 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.

Virgin Money Personal Financial Service Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

14. RISK MANAGEMENT AND MONITORING (CONTINUED)

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) plc. Overall liquidity of the Virgin Money Group is managed centrally.

Fair Values

The fair values of financial assets and liabilities approximate to their carrying values, and are classified as level 2 valuations as they are derived from observable inputs.

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.

15. RELATED PARTY TRANSACTIONS

	Transaction value year ended		Balance outstanding as at	
	31 December		31 December	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Licence Fees payable to Virgin Enterprises Ltd	126	123	10	10
Amounts owed by parent undertaking	456	388	22,296	14,899
Amounts owed by other group undertakings	-	-	-	451
Amounts owed to parent undertaking	-	-	1,128	726
Amounts owed to other group undertakings	4,911	5,034	1,387	819

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) plc), 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 (2014: None).

16. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

The Company has paid levies of £270,000 (2014: £266,000) with respect to levies for Scheme Year 2015/2016 and additional amounts invoiced for 2014/2015 in relation to its investment business.

17. ULTIMATE PARENT COMPANY

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

Virgin Money Holdings (UK) plc 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) plc may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

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

18. SUBSEQUENT EVENTS

Grant Lyall was appointed as a director on 4 January 2016. There have been no material events after the reporting period requiring disclosure between 31 December 2015 and the signing of these accounts.