The Virgin Stakeholder Pension Scheme

Final Report & Financial Statements

16 December 2012 to 15 December 2013

Contents

Manager’s investment report

for the year ended 15 December 2013

Pension scheme

The Virgin Stakeholder Pension Scheme is an Authorised Unit Trust Scheme under the Financial Services and Markets Act 2000. It is categorised as a Non-UCITS retail scheme and as an umbrella fund comprising two feeder funds, being the Virgin Pension Growth Fund (Growth Fund) and the Virgin Pension Income Protector Fund (Income Protector Fund). These funds invest in Virgin authorised unit trusts, being the Virgin UK Index Tracking Trust and the Virgin Income Trust respectively. Both of these funds are categorised as UCITS Schemes under the Collective Investment Schemes Sourcebook.

Investment objectives, policy and strategy

The objective of the Virgin UK Index Tracking Trust is to closely match the performance of the FTSE All-Share Index*, after taking charges into account. The policy for achieving this is to replicate the FTSE All-Share Index, which comprises approximately 600 company shares. Stock index futures contracts (derivatives) may also be used to manage the pool of investors’ cash before it is invested in stocks which form the All-Share Index. This is for the purpose of efficient portfolio management. No trading or speculation in these investments is undertaken.

The objective of the Virgin Income Trust is to provide a level of income slightly above that which would be achieved by a fund invested solely in gilt edged securities. The Manager pursues a low risk strategy while ensuring that the Trust qualifies for general ISA status under the HM Revenue and Customs rules. The Manager’s policy is to invest in UK gilts and a range of sterling denominated fixed interest and other permitted investments.

The strategy of the Virgin Income Trust is that it invests 50% in low risk gilts – UK Government backed loans which pay a fixed rate of interest. The other 50% is invested in highly rated corporate bonds issued by some of the top UK and European companies.

The bonds and gilts it invests in are generally in the 5 to 15 year range. It aims to hold only ‘A’ rated bonds or gilts, however, they can be held in the range from ‘AAA’ to ‘A-’. If the investment is rated by both Moody’s and Standard & Poor’s, the average of both ratings are used when considering investment. Futures contracts may at times be used to manage the pool of investors’ money before it is invested in gilts and bonds. This would only happen for the purposes of efficient portfolio management, and no trading or speculation in these investments is undertaken.

Trust deed amendment

On 12 November 2013, the Scheme’s Trust Deed was amended to allow the scheme to be used by employers for pension automatic enrolment purposes under the Government’s initiatives on Workplace Pension Reform.

Total performance

Growth Fund (Virgin UK Index Tracking Trust)
The unit price of the Growth Fund rose by 13.97%† during the year to 15 December 2013, compared to a rise of 11.27% in the FTSE All-Share Index.‡

The income accumulation for the second half of the year ended 15 December 2013 will be 4.0038p net per unit.

The total accumulation of the year is 6.1485p net per unit.

† Based on net asset value.

‡ FTSE All-share Index movement is calculated on a capital only basis and does not reflect the benefit of dividend income which is included in the unit price of the Growth Fund.

Income Protector Fund (Virgin Income Trust)
The unit price of the Income Protector Fund fell by 2.95%† over the year.

The income accumulation for the second half of the year ended 15 December 2013 will be 2.4093p net per unit.

The total accumulation of the year is 5.1983p net per unit.

† Based on net asset value.

Economic background and stock market trends

Growth Fund (Virgin UK Index Tracking Trust)
The FTSE All-Share Index rose 11.27% during the year to 15 December 2013.

2013, on the whole, witnessed strong equity market returns in the developed world. This was powered by a combination of the decision by the Federal Reserve at the end of the third quarter 2013 not to reduce the market stimulus it had been providing to the US economy and broadly positive economic data, particularly in the United States.

From a slow start to the year, the economic backdrop then exhibited signs of stability for much of the rest of the year. The International Monetary Fund did lower its overall global growth forecasts towards the end of the year but increased its forecast for UK growth. Firmer indicators of economic activity in the Eurozone provided good impetus for European equities, with some of the strongest returns coming from the smaller markets. However, there were also reminders of the difficulties facing the region, with Spanish banks noting high loan defaults and Eurozone unemployment remaining at a record high.

The strength of the UK recovery surprised many observers in 2013, but data from the final quarter showed that some issues remained, with retail sales being particularly weak in October, although a modest recovery was seen in November, sales were still 1% below the July peak. On the other hand, housing data maintained its robust nature and forward-looking purchasing managers' surveys continue to point towards improving economic growth (Bloomberg consensus forecasts are for 2.4% growth in 2014). We also witnessed a considerable improvement in the inflation rate, which fell to 2.1% at the end of November (the lowest level recorded in four years). On the back of stronger economic data in the US, coupled with progress that had been made on the US budget, in late December the US Federal Reserve Bank announced it would marginally reduce its bond purchasing programme (the method by which the Fed has been providing its market stimulus) from $85 billion per month to $75 billion per month from January 2014. It also stated that it will 'likely reduce the pace of its market stimulus in further measured steps at future meetings but only if economic data continues to support such an approach'.

The only significant event for the make-up of the Index over the period was the addition of Royal Mail in the December review, following its widely-publicised flotation. Avocet Mining generated the worst returns (-90.3%) in the Index across the period. The company is expected to be unable to pay its debt commitments at year-end due to a cash shortfall and requires immediate funding to remain operational. Online shopping firm Ocado Group was the top performer for the period (374.7%).

Income Protector Fund (Virgin Income Trust)

The UK gilt market underperformed over the year as a whole, ending the year in negative territory, while corporate bonds fared better by ending the year in positive territory. Overall, the fund was down -2.95% for the year.

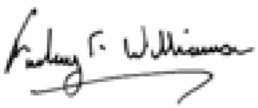
The period was characterised predominantly by aggressive Central Bank activities. Following the approval of legislation in the US at the end of 2012 to lessen the impact of its plans to increase taxes and cut government expenditure, core safe-haven gilt markets within the Eurozone lost some of their attractiveness. By contrast, those in the periphery, such as Spain and Italy, rallied as a greater risk appetite dominated global markets in the first month of the year. In February, the UK's credit rating was downgraded one notch by Moody's to Aa1.

The next few months saw risk appetites fluctuating, with an increased demand for bonds and gilts in May as data from China pointed towards contracting factory activity. This was followed by the US Federal Reserve Chairman Ben Bernanke indicating a likely review of the Fed's monetary stimulus programme (which eventually led to a cut in the stimulus programme in late December as detailed in the Growth Fund wording above).

Despite mounting concerns of global political intervention in Syria, there was a rise in demand for riskier assets in August, driven by improving economic data not only in the US but also in the UK and Europe. A run of strong economic data led investors to believe that the Fed may start to cut its market stimulus programme at its September meeting. However, the Fed's decision at that meeting not to begin any reduction surprised the market and led to further growth for riskier assets, such as equities, which continued for much of the rest of the period.

In terms of economic data, the UK economy is enjoying a turnaround few would have imagined at the start of 2013. The most recent unemployment figures show that the UK unemployment rate has fallen to 7.1% in the 3 months to end November 2013 compared to 7.7% in the same period a year earlier.

The rate of growth in the UK economy is one of the strongest amongst the developed countries. UK Gross Domestic Product expanded 0.5% in the first quarter and 0.8% in the second and third quarters of the year. The UK Consumer Price Index stands at 2.1% year-on-year compared to 2.7% last year. The Bank of England continues to hold rates at 0.50% (unchanged since March 2009) and the asset purchase target at £375 billion (unchanged since July 2012).



Finlay Williamson
Finance Director

31 January 2014

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Performance records

as at 15 December 2013

The Virgin Stakeholder Pension Scheme was first offered on 1 November 1996. The initial offer price of both the Growth Fund and the Income Protector Fund was 100.00p per unit.

Unit price history

	Growth Fund		Income Protector Fund	
Calendar year	**Highest Offer price**	**Lowest Bid price**	**Highest Offer price**	**Lowest Bid price**
2008	207.80p	125.10p	190.30p	172.90p
2009	188.10p	118.00p	198.80p	174.70p
2010	214.00p	171.20p	216.80p	192.90p
2011	220.60p	180.40p	231.40p	203.50p
2012	227.90p	196.20p	249.10p	228.20p
2013*	268.50p	230.20p	255.00p	234.80p

Income record

Calendar year	**Growth Fund per unit**	**Income Protector Fund per unit**
2008	5.2566p	7.6920p
2009	4.6626p	8.1135p
2010	4.1178p	6.7029p
2011	4.6373p	6.9401p
2012	5.8501p	6.2775p
2013	6.1485p	5.1983p

* To 15 December 2013

Net asset value

	Growth Fund			Income Protector Fund		
	Net asset value £	**Units in issue**	**Net asset value per unit**	**Net asset value £**	**Units in issue**	**Net asset value per unit**
15 December 2011	655,572,881	334,455,438	196.01p	153,187,799	67,297,785	227.63p
15 December 2012	764,595,048	339,811,630	225.01p	172,254,057	70,056,293	245.88p
15 December 2013	875,501,815	341,411,394	256.44p	179,671,841	75,291,771	238.63p

Ongoing charges*

	Growth Fund Ongoing charges† (%)	**Income Protector Fund Ongoing charges† (%)**
12 month period to 15 December 2012	1.00	1.00
12 month period to 15 December 2013	1.00	1.00

* The ongoing charges are calculated based on the underlying funds.
† The ongoing charges are the total expenses paid by the Trust in the year against its average net asset value.

Portfolio statements

as at 15 December 2013

	Holdings	Market Value £'000	% of Net Assets
Growth Fund			
Holding in Virgin UK Index Tracking Trust (100.00%*)†	378,023,236	875,502	100.00
Portfolio of investments		**875,502**	**100.00**
Net other assets		**–**	**–**
Net assets		**875,502**	**100.00**

	Holdings	Market Value £'000	% of Net Assets
Income Protector Fund			
Holding in Virgin Income Trust (100.00%*)†	156,915,446	179,668	100.00
Portfolio of investments		**179,688**	**100.00**
Net other assets		**4**	**0.00**
Net assets		**179,672**	**100.00**

* Comparative figures shown in brackets relate to 15 December 2012.
† Investments are Collective Investment Schemes and are a related party to the funds (see note 10).

Summary of portfolio changes

for the year ended 15 December 2013

Growth Fund

Purchases	**Cost £'000**	**Sales**	**Proceeds £'000**
Virgin UK Index Tracking Trust	62,509	Virgin UK Index Tracking Trust	37,332

Income Protector Fund

Purchases	**Cost £'000**	**Sales**	**Proceeds £'000**
Virgin Income Trust	38,177	Virgin Income Trust	21,106

Statements of total return

for the year ended 15 December 2013

	Notes	Growth Fund 15/12/2013 £'000	Growth Fund 15/12/2012 £'000	Income Protector Fund 15/12/2013 £'000	Income Protector Fund 15/12/2012 £'000
Net gains/(losses) on investments	2	85,783	78,077	(9,524)	8,050
Revenue	4	20,930	19,809	3,852	4,378
Finance costs: Interest	6	–	–	–	–
Net revenue		20,930	19,809	3,852	4,378
Total return before accumulation		**106,713**	**97,886**	**(5,672)**	**12,428**
Finance costs: Accumulation	6	(20,930)	(19,810)	(3,852)	(4,378)
Change in net assets attributable to unitholders		**85,783**	**78,076**	**(9,524)**	**8,050**

Statements of change in net assets attributable to unitholders

for the year ended 15 December 2013

	Growth Fund 15/12/2013 £'000	Growth Fund 15/12/2012 £'000	Income Protector Fund 15/12/2013 £'000	Income Protector Fund 15/12/2012 £'000
Opening net assets attributable to unitholders	**764,595**	**655,573**	**172,254**	**153,188**
Amounts receivable on issue of units	41,022	38,893	34,085	25,936
Amounts payable on cancellation of units	(36,874)	(27,836)	(21,022)	(19,286)
	4,148	11,057	13,063	6,650
Change in net assets attributable to unitholders (see above)	85,783	78,076	(9,524)	8,050
Income retained on accumulation units	20,976	19,889	3,879	4,366
Closing net assets attributable to unitholders	**875,502**	**764,595**	**179,672**	**172,254**

Balance sheets

as at 15 December 2013

	Notes	Growth Fund 15/12/2013 £'000	Growth Fund 15/12/2012 £'000	Income Protector Fund 15/12/2013 £'000	Income Protector Fund 15/12/2012 £'000
Assets					
Portfolio of investments		875,502	764,595	179,668	172,250
Debtors	7	257	166	5	162
Cash and bank balances	8	–	–	4	4
Total other assets		**257**	**166**	**9**	**166**
Total assets		**875,759**	**764,761**	**179,677**	**172,416**
Liabilities					
Creditors	9	(257)	(166)	(5)	(162)
Total liabilities		**(257)**	**(166)**	**(5)**	**(162)**
Net assets attributable to unitholders		**875,502**	**764,595**	**179,672**	**172,254**

Notes to the financial statements

for the year ended 15 December 2013

1. Accounting policies

(a) Basis of accounting

The Financial Statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Managers Association (IMA) in October 2010 (the IMA SORP 2010), additional guidance issued July 2011 and United Kingdom Generally Accepted Accounting Practice.

(b) Revenue recognition

Distributions receivable from the underlying unit trusts are credited to revenue, net of attributable tax credits, when the underlying unit trust is quoted ex-dividend.

Accumulation of revenue relating to accumulation units or shares held in underlying funds is recognised as revenue and included in the amount available for distribution.

If any revenue receivable at the balance sheet date is not expected to be received for a significant period after the accounting year end, a provision reflecting the timing of the receipt for the relevant amount will be made.

Equalisation received from distributions or accumulations on units or shares in underlying investments is treated as capital and deducted from the cost of the investment.

Any net dividend revenue in the scheme at the accounting period end date will be accumulated two months after the accounting period end.

(c) Treatment of expenses

Since 6 April 1999, all expenses of the Scheme have been borne by the Manager.

(d) Basis of valuation of investments

Investments have been valued using the bid of their creation and cancellation prices as at 17:00 on Friday 13 December 2013.

(e) Taxation

The Fund is a registered Pension Scheme and therefore unable to reclaim tax suffered on investment revenue. This means that tax on the revenue received by the Virgin Pension Growth Fund is irrecoverable.

2. Net gains/(losses) on investments

The net gains/(losses) on investments during the year comprise:

	Growth Fund		Income Protector Fund	
	15/12/13	15/12/12	15/12/13	15/12/12
	£'000	£'000	£'000	£'000
Non-derivative securities	85,783	78,077	(9,524)	8,050

3. Purchases, sales and transaction costs

	Growth Fund		Income Protector Fund	
	15/12/13	15/12/12	15/12/13	15/12/12
	£'000	£'000	£'000	£'000
Purchases excluding transaction costs	62,509	59,289	38,177	30,465
Total purchase transaction costs	–	–	–	–
Purchases including transaction costs	62,509	59,289	38,177	30,465
Sales excluding transaction costs	37,332	28,050	21,106	19,392
Total sales transaction costs	–	–	–	–
Sales net of transaction costs	37,332	28,050	21,106	19,392

4. Revenue

	Growth Fund		Income Protector Fund	
	15/12/13	15/12/12	15/12/13	15/12/12
	£'000	£'000	£'000	£'000
Distributions from unit trusts	20,930	19,809	3,852	4,378

5. Expenses

During the year, all expenses of the Virgin Stakeholder Pension Scheme have been borne by the Manager including an audit fee of £10,701 (2012: £10,491).

6. Finance costs

Accumulation and interest

The accumulation takes account of income received on the creation of units and income deducted on the cancellation of units, and comprises:

	Growth Fund		Income Protector Fund	
	15/12/13	15/12/12	15/12/13	15/12/12
	£'000	£'000	£'000	£'000
Interim	7,306	8,548	2,065	2,298
Final	13,670	11,341	1,814	2,068
	20,976	19,889	3,879	4,366
Add: Income deducted on cancellation of units	221	213	84	106
Deduct: Income received on creation of units	(267)	(292)	(111)	(94)
Net accumulation for the year	20,930	19,810	3,852	4,378
Interest	–	–	–	–
Total finance costs	20,930	19,810	3,852	4,378

Details of the accumulation per unit are set out in the accumulation tables on page 13.

7. Debtors

	Growth Fund		Income Protector Fund	
	15/12/13	15/12/12	15/12/13	15/12/12
	£'000	£'000	£'000	£'000
Sales awaiting settlement	257	–	–	162
Amounts receivable for creation of units	–	166	5	–
Total debtors	257	166	5	162

8. Cash and bank balances

	Growth Fund		Income Protector Fund	
	15/12/13	15/12/12	15/12/13	15/12/12
	£'000	£'000	£'000	£'000
Cash and bank balances	–	–	4	4
Total cash and bank balances	–	–	4	4

9. Creditors

	Growth Fund		Income Protector Fund	
	15/12/13	15/12/12	15/12/13	15/12/12
	£'000	£'000	£'000	£'000
Purchases awaiting settlement	–	166	5	–
Amounts payable for cancellation of units	257	–	–	162
Total creditors	257	166	5	162

10. Related parties

Virgin Money Unit Trust Managers Limited manages both the Virgin UK Index Tracking Trust and the Virgin Income Trust, the funds in which the Growth and Income Protector Funds respectively invest. The details of units created and cancelled by Virgin Money Unit Trust Managers Limited are shown in the Statements of change in net assets attributable to unitholders. The details of investments held in Virgin UK Index Tracking Trust and Virgin Income Trust are shown in the portfolio statement.

Any amounts due from or to Virgin Money Unit Trust Managers Limited at the end of the accounting year are disclosed in notes 7 and 9.

11. Financial Risk Management, derivatives and other financial instruments

The Scheme has limited exposure to credit or cashflow risk, and as there are no borrowings or unlisted securities, exposure to liquidity risk is minimal. The main risks to the Scheme are the risks applicable to the underlying unit trusts which are set out below.

(a) Financial Risk Management

Risk can be separated into the following components: market risk, credit risk and liquidity risk. The tables below are provided to enable users of these financial statements to assess and understand the risks that arise in connection with the financial instruments held by the Virgin Income Trust and the Virgin UK Index Tracking Trust and how those risks are managed.

* References in the "Quantitative Analysis" column below are to the latest final Report & Accounts of the relevant underlying unit trusts which can be obtained free of charge on request to the Manager or via the Manager's website.

Risks are set out in order of significance.

Virgin Income Trust (Income Protector Fund)

Risk	Risk Definition	Risk background and significance	Mitigation Technique	Quantitative Analysis
(1) Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: market price risk, interest rate risk and currency risk.	See below.	See below.	See below.
(1a) Other price risk	This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to individual financial instruments or its issuer, or other factors affecting similar financial instruments traded in the market.	Other price risk arises from uncertainty about future prices of financial instruments the Trust holds. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements. As with other unit trusts which hold corporate bonds, the Trust is exposed to a moderate level of other price risk.	The investment approach for the corporate bond side of the Trust is to only invest in A grade Corporate Bonds. The Investment Adviser (State Street Global Advisors) regularly carries out a review of the portfolio and replaces any bonds which have dropped below the A grade requirement. The Manager carries out a separate regular review of the portfolio holdings to ensure they are in-line with this approach and that all relevant regulations are being met.	15(b)* Bond ratings are disclosed on page 4*
(1b) Interest rate risk	The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.	As the Trust invests in fixed rate securities, any change to the prevailing interest rates may result in income increasing or decreasing and the value of the securities held increasing or decreasing. In addition, changes in expectations of future interest rates may also result in an increase or decrease in the value of the securities held. In general, if interest rates rise the income potential of the Trust also rises, but the value of the fixed rate securities will decline. A decline in interest rates will, in general, have the opposite effect.	The modified duration of the Trust (a measure of interest rate risk) is monitored continuously by the Investment Adviser to ensure that it remains within the limits prescribed by the Trust's investment objectives.	15(d)*

Risk	Risk Definition	Risk background and significance	Mitigation Technique	Quantitative Analysis
(1c) Currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	The vast majority of the net assets of the Trust are denominated in sterling, with the effect that the balance sheet and total return cannot be materially affected by currency movements. Given this, the Manager does not consider the Trust has a significant exposure to currency risk.	Not applicable due to immateriality.	15(c)*
(2) Credit risk	This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk.	Certain transactions in securities the Trust enters into expose it to the risk that the counterparty will not deliver the investments for a purchase, or cash for a sale after the Trust has fulfilled its responsibilities. Given the mitigation techniques followed, the Manager does not consider the Trust has a significant exposure to credit risk.	The Trust only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time, and changes in brokers' financial ratings are reviewed. The Trust's assets, including cash, are held on trust for the benefit of unitholders by the Trustee. The financial position of the Trustee is itself monitored on a regular basis by the Manager.	
(3) Liquidity risk	The risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities, including redemption liability.	All of the Trust's financial assets are considered to be readily realisable in accordance with the practices of the markets on which they are traded. Given this, the Manager does not consider that the Trust has a significant exposure to liquidity risk.	Not applicable due to immateriality.	

Virgin UK Index Tracking Trust (Growth Fund)

Risk	Risk Definition	Risk background and significance	Mitigation Technique	Quantitative Analysis
(1) Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: market price risk, interest rate risk and currency risk .	See overleaf.	See overleaf.	See overleaf.

Risk	Risk Definition	Risk background and significance	Mitigation Technique	Quantitative Analysis
(1a) Other price risk	This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to individual financial instruments or its issuer, or other factors affecting similar financial instruments traded in the market.	Other price risk arises from uncertainty about future prices of financial instruments the Trust holds. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements. As with all equity based unit trusts, the Trust is exposed to a significant level of other price risk.	As the objective of the Trust is to closely match the performance of the FTSE All-Share index, the Investment Adviser (State Street Global Advisors) considers the accuracy of the tracking of the index during its daily reviews of the Trust portfolio and when assessing changes made to the constituents of the index by the FT. The Manager (Virgin Money) also carries out regular monitoring of the performance of the Trust. The Investment Adviser only selects portfolio holdings which are in-line with the investment objective of the Trust and the Manager carries out a separate periodic review of the portfolio holdings to ensure they are in-line with the investment objective and that all relevant regulations are being met.	See 15(b)* and 15(c)*
(1b) Interest rate risk	The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.	The majority of the Trust's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the Trust's exposure to interest rate risk is considered insignificant. This is consistent with the exposure during both the current and prior period.	Not applicable due to immateriality.	
(1c) Currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	The vast majority of the net assets of the Trust are denominated in sterling, with the effect that the balance sheet and total return cannot be materially affected by currency movements. Given this, the Manager does not consider the Trust has a significant exposure to currency risk.	Not applicable due to immateriality.	See 15(c)*

Risk	Risk Definition	Risk background and significance	Mitigation Technique	Quantitative Analysis
(2) Credit risk	This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk.	Certain transactions in securities the Trust enters into expose it to the risk that the counterparty will not deliver the investments for a purchase, or cash for a sale after the Trust has fulfilled its responsibilities. Given the mitigation techniques followed, the Manager does not consider the Trust has a significant exposure to counterparty risk. Issuer risk is not considered to be significant as the vast majority of the Trust's assets are equity shares and other investments where the issuer has no monetary obligations to the Trust.	The Trust only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time, and changes in brokers' financial ratings are reviewed. The Trust's assets, including cash, are held on trust for the benefit of unitholders by the Trustee. The financial position of the Trustee is itself monitored on a regular basis by the Manager.	See 15(b)* and 15(c)*
(3) Liquidity risk	The risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities, including redemption liability.	All of the Trust's financial assets are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded. Given this, the Manager does not consider that the Trust has a significant exposure to liquidity risk.	In general, the Investment Adviser manages the Trust's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Trust may borrow up to 10% of its value to ensure settlement.	

(b) Fair value of financial assets and liabilities

There is no material difference between the value of the financial assets and liabilities of the Funds disclosed in the Balance Sheet.

Accumulation tables

for the year ended 15 December 2013

Interim accumulation in pence per unit

Group 1	Interim accumulation units purchased prior to 16 December 2012
Group 2	Interim accumulation units purchased between 16 December 2012 and 15 June 2013 inclusive

Growth Fund

Group 1	**Net Income (p)**	**Equalisation* (p)**	**Accumulation paid to 15/08/13 (p)**	**Accumulation paid to 15/08/12 (p)**
Interim accumulation	2.1447	–	2.1447	2.5127
Group 2	**(p)**	**(p)**	**(p)**	**(p)**
Interim accumulation	0.9089	1.2358	2.1447	2.5127

Income Protector Fund

Group 1	**Net Income (p)**	**Equalisation* (p)**	**Accumulation paid to 15/08/13 (p)**	**Accumulation paid to 15/08/12 (p)**
Interim accumulation	2.7890	–	2.7890	3.3258
Group 2	**(p)**	**(p)**	**(p)**	**(p)**
Interim accumulation	2.0058	0.7832	2.7890	3.3258

Final accumulation in pence per unit

Group 1	Final accumulation units purchased prior to 16 June 2013
Group 2	Final accumulation units purchased between 16 June 2013 and 15 December 2013 inclusive

Growth Fund

Group 1	**Net Income (p)**	**Equalisation* (p)**	**Accumulation payable 15/02/14 (p)**	**Accumulation paid to 15/02/13 (p)**
Final accumulation	4.0038	–	4.0038	3.3374
Group 2	**(p)**	**(p)**	**(p)**	**(p)**
Final accumulation	1.9806	2.0232	4.0038	3.3374

Income Protector Fund

Group 1	**Net Income (p)**	**Equalisation* (p)**	**Accumulation payable 15/02/14 (p)**	**Accumulation paid to 15/02/13 (p)**
Final accumulation	2.4093	–	2.4093	2.9517
Group 2	**(p)**	**(p)**	**(p)**	**(p)**
Final accumulation	1.6047	0.8046	2.4093	2.9517

* Equalisation applies to units purchased during the distribution period (Group 2 units).

Equalisation is the average amount of income included in the purchase price of all Group 2 units and is refundable to holders of these units as a return of capital.

Statement of the Manager's responsibilities

The rules in the Financial Conduct Authority's Collective Investment Schemes Sourcebook (the "Rules") require the Manager to prepare Financial Statements for each annual accounting year which give a true and fair view of the financial position of the Scheme as at the end of the year, and of the net revenue and the net gains/(losses) on the property of the Scheme for the year then ended.

In preparing the Financial Statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the requirements of the Statement of Recommended Practice relating to Authorised Funds and the Trust Deed;
- follow applicable UK Accounting Standards (UK Generally Accepted Accounting Practice); and
- prepare Financial Statements on the going concern basis unless it is inappropriate to presume that the Scheme will continue in operation.

The Manager is responsible for keeping proper accounting records and for the management of the Scheme in accordance with the Trust Deed, Prospectus and the Rules. The Manager has a general responsibility for taking such steps as are reasonably open to it to prevent and detect fraud and other irregularities.

Directors' statement

We approve the Report and Financial Statements of The Virgin Stakeholder Pension Scheme for the year ended 15 December 2013 on behalf of Virgin Money Unit Trust Managers Limited in accordance with the requirements of the Collective Investment Schemes Sourcebook.

Finlay Williamson
Finance Director

Marian Watson
Chief Risk Officer

31 January 2014

Independent Auditor's report to the unitholders of the Virgin Stakeholder Pension Scheme ('the Scheme')

for the year ended 15 December 2013

We have audited the financial statements of the Scheme for the year ended 15 December 2013 set out on pages 5 to 13. 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 Scheme's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Scheme's unitholders 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 Scheme and the Scheme's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Manager (Virgin Unit Trust Managers Limited) and auditor

As explained more fully in the Statement of Manager's Responsibilities set out on page 14, the Manager is responsible for the preparation of financial statements which 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'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Scheme as at 15 December 2013 and of the net revenue and the net capital gains/(losses) on the property of the Scheme for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds and the COLL Rules.

Opinion on other matters prescribed by the COLL Rules

In our opinion the information given in the Manager's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purpose of our audit.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Scheme have not been kept; or
- the financial statements are not in agreement with the accounting records.

Catherine Burnet
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Edinburgh
31 January 2014

Trustee's responsibilities in relation to the property of the Scheme

for the year ended 15 December 2013

The Trustee is under a duty to take into its custody or under its control all of the property of the Scheme and to hold it in trust for the holders of units. Under the rules of the Financial Conduct Authority's Collective Investment Schemes Sourcebook relating to Reports, it is also the duty of the Trustee to enquire into the conduct of the Manager in the management of the Scheme in each annual accounting year and report annually thereon to unitholders in a report which shall contain the matters prescribed by the rules. A copy of the Trustee's report is included below.

Trustee's report to the unitholders of the Virgin Stakeholder Pension Scheme

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Scheme, it is our opinion, based on the information available and the explanations provided, that the Manager has, in all material respects, managed the Scheme during the year to 15 December 2013, in accordance with the investment and borrowing powers and restrictions applicable to the Scheme, and otherwise in accordance with the provisions of the Trust Deed and the rules in the Financial Conduct Authority Collective Investment Schemes Sourcebook.

Citibank International PLC

31 January 2014

Management and professional services

Manager and registrar

Virgin Money Unit Trust Managers Limited
Jubilee House
Gosforth
Newcastle upon Tyne
NE3 4PL
Telephone 08456 10 20 30

Directors:	M. Parker M. Watson
Finance Director:	F. Williamson
Compliance Officer:	M. Watson
Secretary:	K. Marshall (appointed 1 October 2013) W. S. Pearson (resigned 1 October 2013)

Authorised and regulated by the Financial Conduct Authority

Investment advisers

State Street Global Advisors Limited
20 Churchill Place
Canary Wharf
London
E14 5HJ

Authorised and regulated by the Financial Conduct Authority

Trustee

Citibank International Plc
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Independent auditor

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Virgin Money Unit Trust Managers Limited
Authorised and regulated by the Financial Conduct Authority.

Registered office: Jubilee House, Gosforth,
Newcastle upon Tyne NE3 4PL

Registered in England no. 3000482

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