The Virgin Climate Change Fund

Final Report and Financial Statements
For the year ended 30 September 2013

Contents

Manager's investment report

for the year ended 30 September 2013

Investment objectives, policy and strategy

The investment objective of the Fund is to provide a compounded appreciation of the investor's capital.

The Fund invests primarily in liquid listed European equities of issuers in all sectors to develop a portfolio of securities of companies which benefit either directly, or via sustained competitive advantage, from pursuing environmentally aware capitalism. For example, companies taking positive action on the corporate responsibility front by promoting environmentally aware behaviour internally, such as encouraging recycling in their workplaces, adopting a carbon emission offsetting programme or recycling side products such as the re-injection of CO_2 in oil exploration. The Fund may also invest in other transferable securities issued by such companies, collective investment schemes which invest mainly or predominantly in such companies, in government bonds and in cash and near cash. The Fund may use derivatives for efficient portfolio management purposes only.

Fund status

The Fund is an authorised unit trust scheme under s243 of the Financial Services and Markets Act 2000 and is categorised as a UCITS scheme under the Collective Investment Schemes Sourcebook (COLL).

Financial instruments and key risks

In pursuing its investment objective set out above, the Fund holds a number of financial instruments. The Fund's financial instruments, other than derivatives, comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations. For example, in respect of sales and purchases of securities awaiting settlement, debtors and creditors are created. Similarly, amounts receivable for creations and payable for liquidations of units, and accrued income relating to debtors are reflected in the financial statements.

Further details of the risks that arise in connection with financial instruments and how those risks are managed are set out in note 13 of the financial statements.

Unit Trust Schemes are not permitted by the Regulations to enter into a transaction if its purpose could reasonably be regarded as speculative. The Fund's use of financial instruments satisfies these requirements and no trading in financial instruments is undertaken.

Risk and Reward profile

The Fund's Synthetic Risk and Reward Indicator (SRRI) is 6 on a scale of 1 (lower) to 7 (higher) as it invests in company shares. These typically provide higher rewards but carry a higher level of risk than other investments such as gilt-edged securities. For further information, please refer to the Fund's Key Investor Information Document (KIID).

Accumulation

The accumulation for the final six months ended 30 September 2013 will be Nil. This is because the expenses of the Fund in the period exceeded the revenue earned on its investments and assets. The total accumulation for the year is also Nil.

Fund performance

Over the reporting period 1 October 2012 to 30 September 2013, the Virgin Climate Change Fund generated a gain of 25.50%*.

*Based on Net Asset Value per unit.

Performance fee

The latest completed performance period started on 1 December 2012 and ended 30 May 2013. For that performance period, the performance fee charged to the Fund was £1,343,514. For the year ended 30 September 2013, £280,888 (2012: £24,073) of realised and unrealised performance fees were accrued in the total expenses of the Fund. This is in addition to the £61,734 performance fee paid to the investment adviser during the performance fee period 31 May 2012 to 30 November 2012, of which £24,073 related to the year ended 30 September 2012.

For further details, see note 4 (a) - (c) of the Financial Statements, on page 13.

Further details on how the performance fee is calculated are set out in the Prospectus which is available free of charge on request to the Manager.

Markets and economic commentary

For the 12 month period ending 30 September 2013, the Virgin Climate Change Fund was up 25.50%.

The 12 month period bridged several significant step changes in Eurozone cyclicality and market sentiment. After concerns early in the period about countries leaving the Euro settled down, leading economic indicators in the Eurozone pointed to a slow recovery. UK GDP (the measure of growth in the economy) turned positive on an annualised basis in the second quarter of 2013.

Globally-coordinated central bank policy to keep interest rates low produced two significant shifts; a rotation into cyclical-oriented sectors (sectors such as automobiles, where consumer spending is discretionary and which tend to do better when the economy is doing well) and a geographic reallocation from US to European equities.

Going into the remainder of 2013, the Fund is positioned less defensively than in the last two years. This is a function of a stronger macro economic backdrop, low valuations in cyclical sectors relative to defensive sectors and several strong investment themes in Europe and the US.

Strong stock and industry sector selection drove the performance for the year, while sector contribution was notable in Capital Goods, Materials, Retailing, Semiconductors and Banks. The top five contributors on a stock basis were: EADS (a 1.97% contribution to overall Fund performance); ASOS Plc (1.27%); ASML Holdings (1.19%); PPG Industries (0.91%) and Lloyds Banking (0.88%). All five positions remain sizable holdings for the Fund.

Underperformance was limited to three sectors: Pharmaceuticals, Technology and Autos. The top 5 underperforming stock positions were: Electrolux (a -0.87% contribution to overall Fund performance); Novo Nordisk (-0.76%); Apple (-0.66%); Express Scripts (-0.66%) and Venator (-0.43%). The Fund closed or reduced all of these positions after reassessing the investment thesis.

Over the 12 month period ending 30 September 2013, the environmental footprint of the Fund averaged 58.87% lighter than the MSCI Europe Index.

Finlay Williamson
Finance Director
Virgin Money Unit Trust Managers Limited

15 November 2013

Performance record

as at 30 September 2013

The Virgin Climate Change Fund was first offered on 18 January 2008 at an offer price of 100.00p per unit.

Unit price history

Calendar year	Highest price	Lowest price
2008*	116.91p	50.73p
2009	70.23p	47.53p
2010	80.60p	62.61p
2011	80.98p	64.01p
2012	81.80p	69.55p
2013**	97.84p	82.83p

Income record

The record of net accumulations per unit is shown below.

Calendar year	Net Accumulation per unit
2008*	Nil
2009	0.1008p
2010	Nil
2011	Nil
2012	0.2485p
2013	Nil

Net Asset Value

Fund year end	Units in issue	Net Asset Value	Net Asset Value per unit
Final 30 September 2011	57,655,077	£38,031,078	65.96p
Final 30 September 2012	44,766,072	£34,392,816	76.83p
Final 30 September 2013	48,718,091	£46,975,202	96.42p

*From launch 18 January 2008
**To 30 September 2013

Ongoing Charges Figure

Fund year end	OCF
Final 30 September 2012	1.92%
Final 30 September 2013	1.90%

The Ongoing Charges Figure (OCF) represents the annual operating expenses of the Fund expressed as a percentage of average net assets for the year - it does not include initial charges or performance fees. The OCF includes the Manager's periodic charge and all charges which are deducted directly from the Fund. The OCF is expressed as an annual percentage rate.

In addition to the above, the Fund has incurred performance fees to the amount of £1,662,063 during the year (4.08% of average Net Asset Value for the year).

Portfolio statement

as at 30 September 2013

Holding	Stock description	Market Value £'000	% of Net Assets
	United Kingdom Equities 17.51% (2012 - 26.26%)		
101,703	ARM	1,003	2.14
16,332	ASOS	839	1.79
28,300	Diageo	556	1.18
88,592	Experian	1,043	2.22
1,976,834	Lloyds Banking	1,454	3.09
72,739	National Grid	531	1.13
19,621	Rio Tinto	593	1.26
99,153	Rolls Royce	1,103	2.35
27,193	Spectris	600	1.28
16,667	Spirax-Sarco Engineering	501	1.07
		8,223	**17.51**
	Overseas 81.35% (2012 - 72.74%)		
	Belgium Equities 0.00% (2012 - 2.85%)		
	Channel Islands Equities 1.82% (2012 - 0.00%)		
67,396	WPP	**856**	**1.82**
	Denmark Equities 4.19% (2012 - 12.96%)		
127,426	GN Store Nord	1,652	3.52
3,025	Novo Nordisk	317	0.67
		1,969	**4.19**
	Finland Equities 0.00% (2012 - 2.76%)		
	France Equities 11.32% (2012 - 1.56%)		
21,030	Accor	540	1.15
36,230	Carrefour	768	1.63
4,036	Eurofins Scientific	628	1.34
93,303	Rexel	1,462	3.11
36,806	Schneider Electric	1,922	4.09
		5,320	**11.32**
	Germany Equities 9.42% (2012 - 7.28%)		
20,916	Allianz	2,030	4.32
10,593	Bayerische Motoren Werke	703	1.50
8,328	Daimler	401	0.85
17,372	Siemens	1,293	2.75
		4,427	**9.42**
	Ireland Equities 1.62% (2012 - 4.74%)		
20,337	Kerry 'A' shares	**760**	**1.62**
	Italy Equities 0.82% (2012 - 1.61%)		
123,990	Snam Spa	**387**	**0.82**

as at 30 September 2013

Holding	Stock description	Market Value £'000	% of Net Assets
	Netherlands Equities 18.82% (2012 - 7.95%)		
26,694	ASML	1,629	3.47
49,641	EADS	1,954	4.16
202,408	ING Groep	1,413	3.01
10,708	Koninklijke DSM	499	1.06
127,108	Koninklijke Philip	2,532	5.39
61,028	Qiagen	812	1.73
		8,839	**18.82**
	Norway Equities 1.68% (2012 - 4.77%)		
84,572	Gjensidige Forsikring	**788**	**1.68**
	Spain Equities 0.00% (2012 - 1.59%)		
	Sweden Equities 8.71% (2012 - 5.72%)		
75,435	Assa Abloy	2,138	4.55
49,766	Nordea Bank	370	0.79
71,487	Swedbank Series 'A' shares	1,029	2.19
59,875	Volvo Series 'B' shares	554	1.18
		4,091	**8.71**
	Switzerland Equities 5.06% (2012 - 0.89%)		
142,133	Glencore	478	1.02
28,962	Novartis	1,374	2.92
3,140	Roche	523	1.12
		2,375	**5.06**
	United States Equities 17.89% (2012 - 18.06%)		
19,827	Acuity Brands	1,126	2.40
7,106	Ashland	406	0.86
11,726	Autoliv	633	1.35
41,187	Best Buy	954	2.03
12,985	Gilead Sciences	504	1.07
16,098	Nordson	732	1.56
9,150	PPG Industries	944	2.01
51,257	Sensata Technologies	1,211	2.58
8,000	Visa	945	2.01
10,484	Whirlpool	948	2.02
		8,403	**17.89**

as at 30 September 2013

Holding	Stock description	Market Value £'000	% of Net Assets
	Forward Foreign Exchange Contracts 0.77% (2012 - 0.11%)		
1,855,030	Sell CHF-2,730,233 for GBP1,855,030 - settlement date - 11/10/2013	(10)	(0.02)
2,202,358	Sell DKK-19,519,277 for GBP2,202,358 - settlement date - 11/10/2013	14	0.03
4,156	Sell DKK-36,774 for GBP4,156 - settlement date - 11/10/2013	–	–
18,192,268	Sell EUR-21,624,253 for GBP18,192,268 - settlement date - 11/10/2013	115	0.24
232,313	Sell EUR-278,225 for GBP232,313 - settlement date - 11/10/2013	–	–
264,042	Sell EUR-314,211 for GBP264,042 - settlement date - 11/10/2013	1	–
548,737	Sell EUR-654,517 for GBP548,737 - settlement date - 11/10/2013	2	–
2,806,590	Sell GBP-316,273 for DKK2,806,590 - settlement date - 11/10/2013	(2)	–
9,641,370	Sell GBP-934,034 for SEK9,641,370 - settlement date - 11/10/2013	(7)	(0.01)
745,367	Sell NOK-6,961,950 for GBP745,367 - settlement date - 11/10/2013	31	0.07
5,493,617	Sell SEK-56,764,717 for GBP5,493,617 - settlement date - 11/10/2013	37	0.08
1,179,213	Sell USD-1,891,653 for GBP1,179,213 - settlement date - 11/10/2013	11	0.02
7,042,411	Sell USD-11,131,587 for GBP7,042,411 - settlement date - 11/10/2013	168	0.36
154,736	Sell USD-247,418 for GBP154,736 - settlement date - 11/10/2013	2	–
3,773	Sell USD-6,086 for GBP3,773 - settlement date - 11/10/2013	–	–
5,612	Sell USD-9,005 for GBP5,612 - settlement date - 11/10/2013	–	–
		362	**0.77**
	Portfolio of investments	**46,800**	**99.63**
	Net other assets	**175**	**0.37**
	Total net assets	**46,975**	**100.00**

All investments are approved securities being either officially listed in a member state or under the rules of an eligible securities market, unless otherwise stated. All investments are in ordinary shares unless otherwise stated.

Note: comparative figures shown in brackets relate to 30 September 2012.

The Fund's global exposure to derivatives at the year-end calculated on a gross commitment basis was £38,794,011.

The counterparty to open derivative contracts at the balance sheet date was BNY Mellon.

Top purchase and sales of investments

for the year ended 30 September 2013

The table below shows the total amount of purchases and sales during the year, including the top 20 traded securities.

Purchases

Security	**Cost £'000**
Koninklijke Philip	2,564
Novartis	2,507
PPG Industries	2,324
Assa Abloy	2,238
Koninklijke DSM	2,069
Sanofi	2,065
Experian	2,022
Whirlpool	1,886
Schneider Electric	1,877
Svenska Cellulosa	1,839
Rolls Royce	1,465
ING Groep	1,463
Credit Agricole	1,457
ASOS	1,441
ASML	1,436
Rexel	1,418
American Water Works	1,346
Syngenta	1,326
Electrolux	1,290
Visa	1,290
Other Purchases	**45,023**
Total for the year	**80,346**

Sales

Security	**Proceeds £'000**
Electrolux	2,534
Tate & Lyle	2,519
Christian Hansen	2,350
Svenska Cellulosa	2,159
Credit Agricole	2,072
ING Groep	2,016
Kerry ‘A’ shares	2,004
Sanofi	1,980
Spectris	1,831
PPG Industries	1,780
EADS	1,703
Koninklijke DSM	1,643
Tractor Supply	1,606
Swatch	1,514
Novo Nordisk	1,495
Whirlpool	1,439
American Water Works	1,428
Express Scripts	1,339
Syngenta	1,311
Novartis	1,307
Other Sales	**43,116**
Total for the year	**79,146**

Statement of total return

for the year ended 30 September 2013

	Note		30/09/13		30/09/12
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		10,505		4,920
Revenue	3	910		853	
Expenses	4	(2,411)		(682)	
Finance costs: Interest	6	(5)		(3)	
Net (deficit)/revenue before taxation		(1,506)		168	
Taxation	5	(81)		(45)	
Net (deficit)/revenue after taxation			(1,587)		123
Total return before distributions			**8,918**		**5,043**
Finance costs: Distributions	6		–		(123)
Change in unitholders' funds from investment activities			**8,918**		**4,920**

Statement of change in unitholders' funds

for the year ended 30 September 2013

		30/09/13		30/09/12
	£'000	£'000	£'000	£'000
Opening net assets		**34,393**		**38,031**
Amounts receivable on issue of units	7,320		3,332	
Amounts payable on cancellation of units	(3,656)		(12,001)	
		3,664		(8,669)
Change in unitholders' funds from investment activities		8,918		4,920
Retained distribution on accumulation units		–		111
Closing net assets		**46,975**		**34,393**

Notes to the Financial Statements are on pages 10 to 21.

Balance sheet

as at 30 September 2013

	Note	£'000	30/09/13 £'000	£'000	30/09/12 £'000
Assets					
Investment assets			46,819		34,125
Debtors	7	1,072		1,900	
Cash and bank balances	8	1,098		274	
Total other assets			2,170		2,174
Total assets			**48,989**		**36,299**
Liabilities					
Investment liabilities			(19)		(39)
Creditors	9	(1,995)		(1,864)	
Bank overdrafts		–		(3)	
Total other liabilities			(1,995)		(1,867)
Total liabilities			(2,014)		(1,906)
Net assets			**46,975**		**34,393**
Unitholders' funds			**46,975**		**34,393**

Notes to the Financial Statements are on pages 10 to 21.

Notes to the financial statements

as at 30 September 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 revised 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

Dividends receivable from quoted equity and non-equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends on unquoted stocks are credited to revenue when the dividend is received. Bank interest is recognised on an accruals basis.

Overseas dividends are grossed up at the appropriate rate of withholding tax and the tax consequences are shown within the tax charge.

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. 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.

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.

(c) Treatment of stock dividends

Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. This revenue forms part of any distribution. In the case of enhanced scrip dividends, the amount by which such dividends exceed the cash dividends is treated as capital and does not form part of the distribution.

(d) Special dividends

Special dividends are treated as revenue or a repayment of capital reflecting the facts of each case.

The tax accounting treatment will follow the treatment of the principal amount.

(e) Treatment of expenses

All expenses (other than those relating to the purchase and sale of investments and stamp duty reserve tax), are charged against revenue on an accruals basis. However, if there is insufficient revenues to charge performance fees against, the balance is charged to capital.

(f) Distribution policy

When the revenue from investments exceeds the expenses, accumulation distributions net of attributable tax credits will be transferred to the capital account. Should expenses exceed revenue the shortfall will be deducted from the capital account.

Gains and losses on investments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

(g) Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It 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. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

(h) Basis of valuation of investments

The valuation point is close of business on the last working day of the accounting year.

All purchases and sales are accounted for on trade date.

Listed investments are valued at Bid market value.

Unlisted, unapproved, illiquid or suspended securities are valued at the Manager's best estimate based upon the amount that would be received from an immediate transfer at arms length.

Where applicable, investment valuations exclude any element of accrued revenue.

1. Accounting policies (continued)

(i) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at close of business on the last business day of the accounting year.

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions.

Exchange differences on such transactions follow the same treatment as the principal amounts.

(j) Taxation

The charge for taxation is based on the results for the year.

In general, the tax accounting treatment follows that of the principal amount.

Deferred tax is provided in full on all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(k) Efficient portfolio management

Where appropriate, certain permitted transactions such as derivatives or forward foreign exchange transactions are used for efficient portfolio management. Where such transactions are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in 'revenue' or 'expenses' in the Statement of total return. Where such transactions are used to protect or enhance capital, the gains and losses derived therefrom are included in 'net gains on investments during the year' in the Statement of total return. Any positions on such transactions open at the year end are reflected in the Balance Sheet at their marked to market value.

as at 30 September 2013

2. Net capital gains on investments

The net gains on investments comprise:	30/09/13 £'000	30/09/12 £'000
Gains on non-derivative securities	11,167	3,642
(Losses)/gains on forward currency contracts	(986)	1,741
Currency gains/(losses)	349	(436)
Transaction charges	(25)	(27)
Net gains on investments	**10,505**	**4,920**

3. Revenue

	30/09/13 £'000	30/09/12 £'000
UK dividends	141	379
Overseas dividends	753	473
Overseas stock dividends	14	–
Bank Interest	2	1
Total revenue	**910**	**853**

4. Expenses

	30/09/13 £'000	30/09/12 £'000
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's service charge (at 1.75% per annum)	(712)	(621)
Trustee fees	(10)	(8)
Safe custody fees	(11)	(11)
Audit fee	(16)	(14)
Performance fees*	(1,662)	(28)
Total expenses	**(2,411)**	**(682)**

Expenses include irrecoverable VAT where applicable. The audit fee excluding VAT for the year was £12,443 (prior year: £12,199).

*As the Fund's accounting period and performance fee period do not coincide, an estimate of performance fees attributable to the accounting period is given. Actual performance fee payments are shown on page 13 (note 4b).

4. Expenses (continued)

Performance Fee

(a) Basis of charge

In accordance with the Prospectus of the Fund, a performance fee is payable to the investment adviser if, in a six month period, the Fund outperforms a benchmark. The benchmark is the return the Investor would have achieved by investing at the Bank of England Base Rate.

"Investor" means a notional Omnibus Account which aggregates all individual client customer unit purchases and redemptions through one single unit holding maintained by the Manager.

The performance fee when payable equals 20% of the appreciation in value of the Investor's units over the amount of the Investor's benchmark return for those units.

The performance fee is calculated and accrued each day and included in the published unit price. It is then paid at the end of each half year and the benchmark is reset to ensure that the Investment Adviser does not receive payment if the Fund does not outperform the benchmark.

The six month performance periods run as follows:

- From 31 May until 30 November; and
- From 1 December until 30 May.

Each of the end dates is known as a "Performance Period End Date".

The performance fee is calculated and accrued daily at each Valuation Point and deducted from the GAV ("GAV" is the gross asset value of a unit after the deduction of charges and expenses and before any dilution adjustment is applied but before deducting any performance fee payable) of all units and so the performance fee is always reflected in the NAV for that day.

Any performance fees are generally payable to the Investment Adviser every six months, in arrears. Performance fees may also become payable, when there are net redemptions of units on a Business Day, in relation to those units. The Investment Adviser will receive 20% of the appreciation in value of the Investor's units over the amount of the Investor's benchmark return for those units.

The Investor will not pay a performance fee where the Investor's benchmark return has not been exceeded. Where the Investor's Benchmark Return has not been exceeded then any accrual made for the performance fee during that performance period (that has not been paid following a net redemption of units as described above) will be released and no payment in relation to any such accrual will be made out of Scheme Property.

(b) Performance Fees paid and allocation policy

Performance fees are in the first instance charged against revenue. Where there is insufficient revenue to charge performance fees against, the balance is charged to capital for accumulation purposes.

The Fund performance to 30 November 2012 exceeded the benchmark return of the investor and accordingly the Investment Adviser was paid the amount of £61,734 for the outperformance achieved, of which £24,073 related to the year ended 30 September 2012.

The Fund also exceeded the benchmark return of the investor to 30 May 2013 and accordingly crystallised £1,343,514 for the outperformance achieved. This amount has been paid to the Investment Adviser as at the year end.

At the year end date, a total of £280,888 (prior year: £24,073) realised and unrealised performance fees were accrued in the total expenses of the Fund.

(c) High Water Mark

In accordance with the rules of the scheme in relation to a High Water Mark, where no Performance Fee has ever been paid by a unit, the High Water Mark of units was set to the higher of either, the highest NAV at a Performance Period End Date since the issue of that unit or the issue price of that unit. The NAV at the performance period end date of 30 May 2013 was 94.63 pence per unit.

For a fuller explanation of the Performance Fee and the High Water Mark including worked examples please refer to the Prospectus of the Fund which is available on request from the Manager.

5. Taxation

(a) Analysis of charge in year

	30/09/13 £'000	30/09/12 £'000
Irrecoverable overseas tax suffered	82	45
Precompte as tax credit	(1)	–
Total current tax charge for the year (see note 5(b))	**81**	**45**

(b) Factors affecting current tax charge for the year

The taxation assessed for the year is higher than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below:

	30/09/13 £'000	30/09/12 £'000
Net (deficit)/revenue before taxation	(1,506)	168
Return on ordinary activities multiplied by the standard rate of Corporation Tax of 20%	(301)	34
Effects of:		
Excess expenses for which no relief taken	482	135
Overseas tax	82	45
Franked investment revenue at 20%	(28)	(76)
Non taxable overseas dividend	(150)	(93)
Non taxable stock dividend	(3)	–
Precompte as tax credit	(1)	–
Total current tax charge for the year (see note 5(a))	**81**	**45**

(c) Deferred taxation

There is no provision required for deferred taxation at the balance sheet date.

(d) Factors that may affect future tax charges

At 30 September 2013 the Fund had surplus management expenses of £5,801,654 (prior year: £3,391,130). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, a deferred tax asset of £1,160,331 (prior year: £678,226) has not been recognised.

as at 30 September 2013

6. Finance costs

Accumulations and interest

The Accumulations take account of amounts received on the issue of units and amounts paid on the cancellation of units, and comprise:

	30/09/13 £'000	30/09/12 £'000
Final	–	111
	–	111
Add: revenue deducted on cancellation of units	–	18
Less: revenue received on creation of units	–	(6)
Net distribution	–	123
Interest	5	3
Total finance costs	**5**	**126**

Reconciliation of distributions:		
Net (deficit)/revenue after taxation	(1,587)	123
Deficit/(revenue) carried forward	1,587	-
Net distribution	**–**	**123**

7. Debtors

	30/09/13 £'000	30/09/12 £'000
Sales awaiting settlement	635	1,187
Amounts receivable for creation of units	83	-
Currency contracts receivable	233	611
Accrued revenue	18	33
Overseas tax recoverable	103	69
Total debtors	**1,072**	**1,900**

8. Cash and bank balances

	30/09/13 £'000	30/09/12 £'000
Cash and bank balances	1,098	274
Total cash and bank balances	**1,098**	**274**

as at 30 September 2013

9. Creditors

	30/09/13 £'000	30/09/12 £'000
Purchases awaiting settlement	1,343	1,115
Accrued expenses	420	123
Amounts payable for cancellation of units	–	10
Currency contracts payable	232	616
Total creditors	**1,995**	**1,864**

10. Related party transactions

Management fees paid to Virgin Money Unit Trust Managers Limited are detailed in note 4 and details of units created and cancelled by Virgin Money Unit Trust Managers Limited are shown in the Statement of changes in unitholders' funds. The balance due to Virgin Money Unit Trust Managers Limited at the year end in respect of these transactions was £67,098 (prior year: £50,111).

as at 30 September 2013

11. Capital commitments and contingent liabilities

On 30 September 2013, the Fund had no capital commitments and no contingent liabilities.

12. Securities on loan

There were no securities on loan during the year.

13. Financial Risk Management, derivatives and other financial instruments

(a) Financial Risk Management

Risk can be separated into the following components: market risk, credit risk and liquidity risk. The table below is 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 Fund and how those risks are managed. Risks are set out in order of significance.

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, currency risk and interest rate 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 Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. As with all equity based unit trusts, the Fund is exposed to significant other price risk.	The Investment Adviser (GLG) considers any market movements during its regular reviews of the performance of the Fund portfolio and when assessing which holdings to sell and which potential holdings to purchase. The Manager (Virgin Money) also carries out regular monitoring of the performance of the Fund. The Investment Adviser only selects portfolio holdings which are in-line with the investment objective of the Fund and the Manager carries out a separate regular review of the portfolio holdings to ensure they are in-line with the investment objective and that all relevant regulations are being met.	See 13 (b)
1b) 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.	A majority of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the balance sheet and total return can be affected by currency movements. In the absence of foreign currency mitigation techniques, the Fund would be exposed to significant currency risk.	The Manager may enter into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management. This is for the reduction of the risk of foreign exchange losses. Such exposure to the various markets is balanced through tactical allocation of foreign exchange forward contracts. These contracts are traded on eligible derivatives exchanges and FCA rules on the use of derivative instruments are followed.	See 13 (c) and 13 (e)

as at 30 September 2013

13. Financial Risk Management, derivatives and other financial instruments (continued)

(a) Financial Risk Management (continued)

Risk	Risk Definition	Risk Background and significance	Mitigation Technique	Quantitative Analysis
1c) 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 Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the Fund'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.	See 13(d)
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 Fund 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 Fund has a significant exposure to credit risk.	The Fund 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 Fund'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 Fund will encounter difficulty in meeting obligations associated with financial liabilities, including redemption liability.	All of the Fund'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 the Fund has a significant exposure to liquidity risk.	In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.	

(b) Other price risk and fair value of financial assets and liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance Sheet.

13. Financial Risk Management, derivatives and other financial instruments (continued)

(c) Currency exposures

A proportion of the net assets of the Fund are denominated in currencies other than sterling, with the effect that the Balance Sheet and total return can be affected by currency movements.

As at 30 September 2013 the Fund had the following net currency exposure:

Currency	**Net foreign currency assets/(liabilities)**			
	Monetary exposures 30/09/13 £'000	**Non-monetary exposures 30/09/13 £'000**	**Forward foreign currency contracts exposure 30/09/13 £'000**	**Total 30/09/13 £'000**
Danish Krone	–	1,970	(1,878)	92
Euro	268	18,882	(19,120)	30
Norwegian Krone	–	806	(715)	91
Sterling	830	9,000	36,673	46,503
Swedish Krona	–	4,511	(4,529)	(18)
Swiss Franc	–	1,933	(1,865)	68
US Dollar	–	8,413	(8,204)	209
Total	**1,098**	**45,515**	**362**	**46,975**

As at 30 September 2012 the Fund had the following net currency exposure:

	Net foreign currency assets/(liabilities)			
	Monetary exposures 30/09/12 £'000	**Non-monetary exposures 30/09/12 £'000**	**Forward foreign currency contracts exposure 30/09/12 £'000**	**Total 30/09/12 £'000**
Danish Krone	-	4,458	(4,324)	134
Euro	-	10,066	(10,135)	(69)
Norwegian Kroner	-	1,653	(1,639)	14
Swedish Krona	-	1,968	(2,109)	(141)
Swiss Franc	-	325	(383)	(58)
UK Sterling	274	9,351	24,913	34,538
US Dollar	(3)	6,255	(6,277)	(25)
Total	**271**	**34,076**	**46**	**34,393**

(d) Interest rate risk profile of financial assets and liabilities

Interest rates applicable on the cash balances of the Fund as at the year end are as follows: GBP 0.15%, Euro 0.00% and USD 0.01%. Interest rates applicable on overdrafts of the Fund as at the year end are as follows: GBP 2.625%, Euro 3.25% and USD 2.5%. The Fund did not have any long term financial liabilities.

as at 30 September 2013

13. Financial Risk Management, derivatives and other financial instruments (continued)

(e) Derivatives and other financial instruments

During the year the Manager entered into derivative contracts on behalf of the Fund for the purpose of efficient portfolio management. Such exposure to the various markets is balanced through tactical allocation of foreign exchange forward contracts. These contracts were traded on an eligible derivatives exchange.

In accordance with requirements set out in the Collective Investment Schemes Sourcebook:

- transactions must be in derivatives which comply with FCA rules on approved or OTC derivatives;
- the underlying of the transaction must consist of financial derivative instruments to which the Fund is dedicated (e.g. transferable securities);
- transactions in approved derivatives must be effected under the rules of an eligible derivatives market;
- transactions in derivatives must not cause the scheme to divert from its investment objectives;
- transactions in derivatives must not create the potential for an uncovered sale;
- any forward transactions must be made with an eligible institution or an approved bank; and
- the Manager must use a risk management process to monitor and measure as frequently as appropriate the Fund's positions and their contribution to the overall risk profile of the scheme.

14. Portfolio transaction costs

Analysis of total purchase cost		**30/09/13**		**30/09/12**
	£'000	**£'000**	**£'000**	**£'000**
Purchases in the year before transaction costs		80,203		90,761
Commissions	71		57	
Other costs	72		140	
Total purchase costs		143		197
Gross purchase total		**80,346**		**90,958**
Analysis of total sale costs				
Gross sales in the year before transaction costs		79,220		97,714
Commissions	(73)		(65)	
Other costs	(1)		–	
Total sales costs		(74)		(65)
Total sales net of transaction costs		**79,146**		**97,649**

Accumulation table

as at 30 September 2013

Final distribution

Group 1: Unit is purchased prior to 1 April 2013

Group 2: Unit is purchased 1 April 2013 to 30 September 2013

Accumulation units

	Net revenue pence per unit	Equalisation* pence per unit	Distribution payable 30.11.2013 pence per unit	Distribution paid 30.11.2012 pence per unit
Group 1	0.0000	–	0.0000	0.2485
Group 2	0.0000	0.0000	0.0000	0.2485

*Equalisation only applies to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

When the revenue from investment exceeds the expenses, accumulation distributions net of attributable tax credits will be transferred to the capital account. Should expenses exceed revenue the shortfall will be deducted from the capital account.

Interim distribution

During the interim accounting period the expense of the Fund exceeded the revenue earned on its investment and assets, resulting in a nil distribution at the interim ex-dividend date (2012: £nil).

Statement of the Manager's responsibilities

for the year ended 30 September 2013

The Financial Conduct Authority Collective Investment Schemes Sourcebook (the "Rules") requires the Manager to prepare Financial Statements for each accounting period which give a true and fair view of the financial position of the Scheme as at the end of the year, and of its net deficit and net gains 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 Statement of Recommended Practice for Authorised Funds as issued by IMA from time to time, the Prospectus and the Trust Deed;
- follow applicable accounting standards (UK Generally Accepted Accounting Practice); and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Manager is responsible for keeping proper accounting records and for the management of the Scheme in accordance with the Collective Investment Schemes Sourcebook, the Trust Deed and the Prospectus, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement

We approve the Report and Financial Statements of The Virgin Climate Change Fund for the year ended 30 September 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
15 November 2013

Marian Watson
Chief Risk Officer
15 November 2013

Independent Auditor's report to the unitholders of the Virgin Climate Change Fund

for the year 30 September 2013

We have audited the financial statements of the Fund for the year ended 30 September 2013 which comprise the Statement of total return, the Statement of change in unitholders' funds, the balance sheet together with the related notes and the distribution table set out on pages 8 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Fund'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 Fund'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 Fund and the Fund'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 Money Unit Trust Managers Limited) and the Auditor

As explained more fully in the Statement of the Manager's Responsibilities set out on page 23, the Manager is responsible for the preparation of the Annual Report and the 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 Fund as at 30 September 2013 and of its net deficit and net capital gains on the property of the Fund for the year then ended; and
- have been prepared in accordance with the requirements of 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 of the information and explanations which we consider necessary for the purpose of the 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 Fund 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
15 November 2013

Trustee’s responsibilities in relation to the property of the Fund

for the year ended 30 September 2013

The Trustee is responsible for safeguarding the property of the Scheme, and must take reasonable care to ensure that the Scheme is managed by the Manager in compliance with the Regulations and the provisions of the Trust Deed and Prospectus.

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 Collective Investment Scheme 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 Climate Change Fund

The Trustee is responsible for safeguarding the property of the Scheme and for overseeing the management of the Scheme. In fulfilling our duties as defined by the Collective Investment Schemes Sourcebook (as issued and amended by the Financial Conduct Authority under powers vested in it by the Financial Services and Markets Act 2000), and having made due enquiries of the Manager and having carried out our checks and monitoring procedures, it is the opinion of Citibank International Plc, as Trustee to the Scheme, to the best of our knowledge and belief, that in all material respects the Manager has managed the Scheme during the year to 30 September 2013:

- in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee by the Trust Deed, by the Prospectus and by the rules contained within the Collective Investment Schemes Sourcebook; and
- otherwise in accordance with the provisions of the Trust Deed and the above rules.

Citibank International Plc
London
15 November 2013

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

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Authorised and regulated by the Financial Conduct Authority

Trustee

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Citigroup Centre
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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,
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Registered in England no. 3000482

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