

THE VIRGIN MONEY FOUNDATION

Annual Report and Accounts

31 December 2015

Registered Company: 09457101

Registered Charity: 1161290

# The Virgin Money Foundation

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# The Virgin Money Foundation

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## CHAIRMAN'S STATEMENT

In 2015 we launched the Virgin Money Foundation, an independent charitable foundation established to promote the sustainable regeneration of economically and socially deprived communities in the United Kingdom.

Our ambition is to find and support people and organisations who want to make a real difference in the areas that need it most. Initially we are focusing our work in the North East of England but we will expand to operate on a national basis over time.

Our work will include, but not be limited to, providing social investment in community housing and building projects, promoting opportunities for youth work and training, as well as investing in projects designed to relieve unemployment. In short, we want to help people to make a sustainable change for the better in the communities that most need it.

Thanks to the support provided by our founder and benefactor Virgin Money, we have been able to start making a difference very quickly. In 2015 we committed £850,000 to support the first Onside Youth Zone in the North East. When built, this will create a safe and stimulating space for young people in Sunderland that aims, in turn, to build confidence and capacity for young people to lead better lives. Additionally, with support and funding from the UK Government, we were also able to launch our first round of funding for the North East grant fund, financing a range of inspiring social enterprises, as well as a number of training and homelessness projects, across the region. We received a significant amount of interest in our first round of grant funding. In total, 221 applications were received from individuals, community interest groups and national charitable organisations with a local interest; each showed a clear determination to achieve lasting social good, coupled with creativity and entrepreneurialism. The breadth of applications received in only a short time demonstrated not only the importance of our mission, but also the ability of the Virgin brand to catalyse action. In total, 25 projects were funded by the North East fund within 2015, accounting for £895,600 in grants. This increased to a total of 27 projects and £1 million of grants by March 2016 once further approvals had been secured and grant conditions satisfied.

We will judge the success of our programmes not only on the basis of the short-term benefit they deliver but, more importantly, on their sustainability and the long-term outcomes for their beneficiaries.

The Foundation is grateful for the support and patronage of Virgin Money which, not only had the foresight to set up the Foundation and make a substantial commitment to provide donations in 2015 and in future years, but also to cover its full operating costs. We will continue to work closely with Virgin Money to ensure maximum benefit for the community through leveraging the time and skills of its people and other company resources. We will also look to build a portfolio of funding options over time, which will enable us to look at long-term and sustainable ways of funding projects of all sizes.

The Trustees would also like to thank the Government for its generous four year commitment to the North East, as well as the small team working at the Foundation who have ensured it has got off to such a strong start. I know that I speak for all the Trustees when I say how proud we are to have committed £1.85 million to an outstanding range of programmes in the North East in such a short period of time. We have been truly inspired by the energy and passion for positive and sustainable change amongst the organisations and individuals with whom we have worked, and look forward to continuing to extend our work in 2016.

**Edward Wakefield**

Chairman of the Board of Trustees

29 March 2016

# The Virgin Money Foundation

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## TRUSTEES' REPORT For the period ended 31 December 2015

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the Foundation's Memorandum and Articles of Association, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014. This Trustees' report has been prepared to also satisfy the requirements of the Companies Act 2006 to prepare a Strategic Report.

### Reference and Administrative Information

<b>Trustees:</b>	Edward Wakefield (Chairman)	(Appointed 26 June 2015)
	Joanne Curry	(Appointed 26 June 2015)
	Tim Davies-Pugh	(Appointed 20 November 2015)
	Anthony Mooney	(Appointed 26 June 2015)
	Stephen Pearson	(Appointed 25 February 2015)
	Michael Peckham	(Appointed 25 February 2015)
	Sir Tom Shebbeare	(Appointed 26 June 2015)
	Caroline Marsh	(Appointed 25 February 2015, resigned 26 June 2015)
<b>Company Secretary:</b>	Paul Armstrong	(Appointed 25 February 2015, resigned 6 May 2015)
	Katie Marshall	(Appointed 6 May 2015)
<b>Bankers:</b>	Lloyds Bank plc 25 Gresham Street London EC2V 7HN	
	Virgin Money plc Jubilee House Gosforth Newcastle upon Tyne NE3 4PL	
<b>Independent Auditor:</b>	KPMG LLP Quayside House 110 Quayside Newcastle-upon-Tyne NE1 3DX	
<b>Registered Office:</b>	Jubilee House Gosforth Newcastle upon Tyne NE3 4PL	
<b>Registered Company No:</b>	09457101 (Company limited by guarantee)	
<b>Charity No:</b>	1161290	

# The Virgin Money Foundation

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## TRUSTEES' REPORT (continued) For the period ended 31 December 2015

### Objectives and activities

The Virgin Money Foundation (the "Foundation") is a registered charity supported by Virgin Money Holdings (UK) plc ("Virgin Money Group") and its main subsidiary Virgin Money plc ("Virgin Money"). It was incorporated on 25 February 2015 as a company limited by guarantee and registered as a charity on 15 April 2015. Virgin Money Group launched the Foundation as a further demonstration of its stated ambition to make "everyone better off". The Foundation commenced its public activities in August 2015 with an initial focus on the North East of England but a medium-term ambition to become a national charity.

The Foundation was launched with just under £8 million of funding over four years, comprising £1 million per year pledged by the UK Government, and £1 million per year cash is pledged by Virgin Money from 2016 to 2018 inclusive. Virgin Money also donated £850,000 to the Foundation in 2015, in addition to which it made a £150,000 donation to the Tyne & Wear and Northumberland Community Foundation prior to the public launch of the Virgin Money Foundation, but in support of its objectives.

The Foundation has been established for the public's benefit, and has two key objectives:

- to promote the sustainable regeneration of socially or economically deprived communities in the UK. This includes, but is not limited to, providing social investment in community housing and building projects, promoting opportunities for youth work, education, training and enterprise, relieving unemployment and the promotion of other community based projects; and
- to support other charitable purposes in the UK, as the Trustees in their absolute discretion determine.

The Foundation defines economically and socially deprived areas as typically characterised by some or all of: poor access to employment opportunity, limited or no access to capital or assets, and/or limited potential to attract other sources of potential community cohesion. Together these factors often lead to net migration away from these areas, a cycle of deprivation and ultimately community breakdown. The English Indices of Deprivation are also a typical reference point to assess whether an area fits the Foundation's criteria.

The Foundation often supports applications that promote long-term sustainable changes in deprived communities by:

- bringing people and money into an area for regeneration;
- providing investment in community-led housing; and
- promoting opportunities for youth education, training and enterprise.

Projects funded by the Foundation in 2015 were assessed according to their ability to meet criteria such as the number of people supported, the sustainability of the programme and the long-term benefit to the area. In allocating the North East Fund grants, organisations were particularly measured according to their ability to deliver against the objectives of:

- enabling homeless people or people at risk of homelessness to find a home. Trustees were particularly interested in supporting applications from organisations working to increase the supply of affordable rented properties;
- providing opportunities for youth education, training and enterprise. Applications were judged in part on the number of young people helped to find employment and/or develop employability; and
- creating and supporting community and social enterprise. Proposals were assessed for their innovation, enterprising behaviour and/or sustainable job creation, as well as the impact likely to be had on the community relative to its needs.

The Foundation is currently funded by a donation from Virgin Money and the UK Government, and will look to develop its income sources over future years.

The Trustees confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Foundation's aims and objectives, and in planning future activities and setting the grant-making policy for the period.

# The Virgin Money Foundation

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## TRUSTEES' REPORT (continued) For the period ended 31 December 2015

### **Achievements and performance**

The first open funding round from the Foundation was the North East Fund. Launched on 10 August 2015, the funding round closed on 28 September 2015.

The North East Fund invited applications from projects that promoted long-term change in communities that needed it most by:

- enabling homeless people or people at risk of homelessness to find a home;
- providing opportunities for youth education, training and enterprise;
- creating and supporting community and social enterprise; or
- funding feasibility studies into larger capital projects that will bring people and money into deprived communities.

The Foundation received applications in each of these four categories from organisations working in all of the local authority areas within the North East.

In total, 221 applications (198 of which were eligible) were received, for requests totalling £7.8 million. Applications went through a three stage process of evaluation. The Executive team's recommendations were then taken to a Foundation Trustee meeting for discussion and decision.

During the period ended 31 December 2015, the Foundation awarded its first grants to 25 organisations operating in disadvantaged communities across the North East of England. Grants were awarded up to a maximum of £50,000 and totalled £895,600.

Additionally, and relating to UK Government funding being available on a fiscal rather than calendar year basis, two further grants and two grant extensions were approved and made after the year end amounting to a further £104,400. This brought the total amount funded by the first round of the North East fund to £1 million.

Projects supported by the Foundation range from a social enterprise creating jobs in a healthy food takeaway in Newcastle, to a housing service for vulnerable women in Teesside, to a youth project working with young people on a deprived estate in Sunderland.

The spread of grants made within the financial period to 31 December 2015 includes:

- nine grants helping disadvantaged young people into employment;
- nine grants that will support a new or existing social enterprise; and
- seven grants helping homeless people find and keep a home

A further £850,000 was also designated by the Foundation to be paid to Onside Youth Zones, the charity that will build a Youth Zone in Sunderland to give young people a safe and inspiring place to go in their leisure time. This grant will be distributed in a staged process once conditions are satisfied, full funding is agreed and planning permission is approved.

# The Virgin Money Foundation

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## TRUSTEES' REPORT (continued) For the period ended 31 December 2015

Open 52 weeks a year, seven days a week, Youth Zones give young people aged 8 – 19 (and those up to 25 with a disability), a place to socialise, be creative and inspire one another in their free time. Youth Zones are city centre based to attract a broad range of young people from all backgrounds and to support social cohesion across the city. Onside Youth Zones provide young people with many opportunities to realise their potential in safe and welcoming surroundings. This project represents a long-term investment in young people in the North East.

The Foundation is firmly focused on ensuring delivery, and therefore measurement, of the social benefits achieved from its grants and investments. All beneficiaries are required to agree the planned outcomes from the investment prior to funding being released and performance against plan will be measured in conjunction with the Foundation's team.

### Financial review

#### Summary financial information

	<b>2015</b> <b>£'000</b>
Donations received	1,985.3
Expenditure on charitable activities	(895.6)
Other expenditure	(132.6)
<b>Net income</b>	<b><u>957.1</u></b>
Restricted income funds	104.4
Unrestricted income funds	852.7
<b>Total charity funds</b>	<b><u>957.1</u></b>

#### Income

Income in 2015 totalled £1,985,300. The Foundation received cash of £930,900 from the UK Government and accrued a further amount of £69,100. This represented the first instalment of £4 million of funding pledged to the Foundation over four years. The Foundation also received a £850,000 donation from Virgin Money. In addition, Virgin Money donated services to the Foundation totalling £132,400 and made additional donations of £2,900. The donated services represent the provision of the Foundation's core staff as well as office space, technology, legal and accountancy support, and the auditor's remuneration.

#### Expenditure

Expenditure in 2015 totalled £1,028,200. The Foundation's expenditure was used to fund charitable causes and support the running of the Foundation, the activities of which are entirely charitable and accord with its objectives. The Foundation awarded 25 grants in 2015 totalling £895,600 to support projects that will have long term impact in communities in the North East of England. Grants were made for amounts between £10,000 and £50,000. Grant awards are to cover running costs (not capital costs) and are for one year only. The Foundation also recorded £132,600 of operational costs, comprising £132,400 of services donated by Virgin Money and £200 relating to bank charges.

#### Reserves

The Foundation's reserves at 31 December 2015 totalled £957,100, comprising restricted reserves of £104,400 and unrestricted reserves of £852,700. The Trustees have agreed to designate £850,000 of the unrestricted reserves to support the Sunderland Youth Zone, subject to specified conditions. The proposed timing of expenditure for the Sunderland Youth Zone is £450,000 in November 2016 and £400,000 in May 2017. This will be subject to a number of key deliverables, such as final planning permission and confirmation that all capital funds have been raised.

# The Virgin Money Foundation

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## TRUSTEES' REPORT (continued) For the period ended 31 December 2015

### Plans for future periods

The Foundation's strategy is to develop and launch a range of funding programmes in 2016, including a second round of the North East Fund (supported by the UK Government) and a separate fund to support larger and longer-term sustainable programmes in areas of deprivation. The Foundation will look to achieve continuous engagement with the market and make funding available on a regular basis throughout the year.

We will work within the current pledged funding of £2 million per year but look to develop a range of further funding options to provide support for both capital and operational activities, working with charities and social enterprises which share our passion and vision for sustainable change in communities that most need support.

The Foundation also hopes and expects to engage Virgin Money colleagues to support the organisations we fund through volunteering, mentoring or the provision of specialist skills. In addition, the Foundation will encourage networking and sharing of learning across the programmes supported by the Foundation and amongst other organisations operating within a similar space.

We will work primarily in the North East but we will seek out opportunities in other areas of deprivation where we believe we can make a significant impact, using Virgin Money assets and people to support the programme.

### Structure, governance and management

The structure, governance and management of the Foundation are as follows:

- The Foundation was incorporated as a private company limited by guarantee (Company no. 9457101) on 25 February 2015.
- The Foundation was subsequently registered as a charity on 15 April 2015 (Charity no. 1161290) and operates in accordance with its Memorandum and Articles of Association.
- Virgin Money Group is the sole member of the Foundation, but the Foundation is governed by an independent Board of seven Trustees, who set the strategy of the Foundation and approve all grants.
- The Trustees have identified the major risks to which the Foundation is exposed. The major risks identified include, but are not limited to, failure to follow proper process in the assessment of applications and allocation of funds, failure to ensure activity and funding addresses the Foundation's core charitable purpose and failure to implement robust governance in accordance with the requirements of the Charity Commission, Virgin Money and the UK Government. The Foundation has established clear processes and governance to address and monitor its key risks, including a monthly review of operational risk management and a detailed operating framework agreement with Virgin Money.
- The Foundation has conflicts of interest policies for both its Trustees and staff, and a register of Trustee interests is maintained. Trustees declare any conflicts of interest at the start of each Board meeting, and withdraw from decisions where there is a conflict.
- The Foundation has a Governance Manual which:
  - (i) provides an overview of the governance structures and processes by which the Trustees control and supervise the activities of the Foundation;
  - (ii) provides an outline of the Foundation's management structure and operational governance; and
  - (iii) summarises the Foundation's approach to conflicts of interest and brand protection.



# The Virgin Money Foundation

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## TRUSTEES' REPORT (continued) For the period ended 31 December 2015

### Trustees

The Trustees who served during the period and up to the date of signing the financial statements are listed on page 3. Anthony Mooney and Stephen Pearson are employees of Virgin Money. The Foundation's policies regarding Trustees are as follows:

- Virgin Money Group appoints the Trustees, but Virgin Money Group and the Trustees must use their reasonable endeavours to ensure that at least 50% of the Trustees at any one time, within a year of incorporation, and thereafter, are not employees, directors or officers of the Virgin Money Group. The Trustees may also co-opt up to three Trustees.
- The first Trustees shall initially serve in office for one year, after which they must retire but shall be eligible for re-appointment. Thereafter, all Trustees shall serve in office for up to three year terms.
- It is the Foundation's policy that every Trustee should, if necessary, receive training when appointed to the Board, and subsequently as required or requested. The Foundation's induction process is designed to ensure that every new Trustee understands his or her responsibilities.

All decisions regarding the structure of the Foundation's funding programmes and the allocation of funds to individual projects are agreed by a majority vote of the Foundation's Trustees at a formal meeting of the Board. Trustees are required to excuse themselves from voting and influencing the discussion should any conflict of interest arise in relation to a particular potential project. In the event of no clear decision being reached as a result of a vote, the Chairman has the deciding vote.

The Trustees do not receive any emoluments in respect of services provided to the Foundation.

### Colleagues

The Trustees delegate day to day management of the Foundation to the Executive Director, who is supported by a Programme Manager, Programme Officer and a Programme Support Assistant.

During the period Jo Barnett held the role of Interim Executive Director. Jo is Executive Director of Virgin Money Giving, Virgin Money Group's not-for-profit online donations service and heads up Virgin Money's sponsorship of the London Marathon. The Foundation is currently in the process of recruiting a permanent Executive Director.

### Key Relationships

The Foundation currently receives funding for its charitable activities from Virgin Money and the UK Government. Virgin Money also covers the Foundation's operating costs and provides additional operational support.

### Investment Policy

The Foundation's funds were held in an operating account provided by Lloyds Bank during 2015. In 2016, an investment policy will be implemented whereby surplus cash will be invested in interest-bearing savings accounts in line with planned grant expenditure.

### Reserves Policy

The Trustees monitor the level of the reserves throughout the period. Given the continued support provided by Virgin Money, including Virgin Money's undertaking to meet the Foundation's costs up to an agreed level, together with the fact that grants are only awarded unconditionally once the funding has been secured, the Trustees do not consider it necessary to hold a minimum level of reserves.

# The Virgin Money Foundation

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## TRUSTEES' REPORT (continued) For the period ended 31 December 2015

### **Guarantees**

The sole member of the Foundation, Virgin Money Group, guarantees an amount not exceeding £1 to the assets of the Foundation in the event of winding up. The total number of such guarantees at 31 December 2015 was one. The member is only entitled to voting rights in the Foundation and does not have a beneficial interest.

### **Disclosure of information to auditors**

In so far as the Trustees who held office at the date of approval of this Trustees' report are aware:

- there is no relevant audit information of which the Foundation's auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### **Auditor**

KPMG LLP were appointed as auditor during the period. Following a tender process that took place in 2015, it was recommended that PricewaterhouseCoopers LLP be appointed as auditor for the Foundation effective for periods ending on or after 1 January 2016.

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

### **Statement of Trustees' responsibilities**

The Trustees (who are also directors of the Foundation for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Trustees 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 charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities.

# The Virgin Money Foundation

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## TRUSTEES' REPORT (continued) For the period ended 31 December 2015

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and to prevent and detect fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Foundation's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Approval**

The Trustees have agreed these financial statements which have taken advantage of the small companies exemptions provided by section 415a of the Companies Act 2006.

Approved by the Board of Trustees on 29 March 2016 and signed on their behalf by:

**Edward Wakefield**

Chairman of the Board of Trustees

# The Virgin Money Foundation

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## INDEPENDENT AUDITOR'S REPORT For the period ended 31 December 2015

### **Independent auditor's report to the members of The Virgin Money Foundation**

We have audited the financial statements of The Virgin Money Foundation for the period ended 31 December 2015 set out on pages 13 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the charitable 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 charitable 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 9 to 10, the Trustees (who are also the directors of the charitable company for the purposes of company law) 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](http://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 charitable company's affairs as at 31 December 2015 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information in the Trustees' Annual Report, which constitutes the Strategic Report and the Directors' Report, for the financial period for which the financial statements are prepared is consistent with the financial statements.

# The Virgin Money Foundation

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## INDEPENDENT AUDITOR'S REPORT (continued) For the period ended 31 December 2015

### **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:

- the charitable company has not kept adequate accounting records 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 Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Mick Thompson (Senior Statutory Auditor)**

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

*Chartered Accountants*

Quayside House  
110 Quayside  
Newcastle Upon Tyne  
NE1 3DX  
29 March 2016

# The Virgin Money Foundation

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## STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) For the period ended 31 December 2015

		2015		
	Note	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
<b>Income from:</b>				
Donations and legacies	2	985.3	1,000.0	1,985.3
<b>Total income</b>		<b>985.3</b>	<b>1,000.0</b>	<b>1,985.3</b>
<b>Expenditure on:</b>				
Charitable activities	3	(132.6)	(895.6)	(1,028.2)
<b>Total expenditure</b>		<b>(132.6)</b>	<b>(895.6)</b>	<b>(1,028.2)</b>
<b>Net income and net movement in funds for the period</b>		<b>852.7</b>	<b>104.4</b>	<b>957.1</b>
<b>Reconciliation of funds:</b>				
Total funds brought forward		-	-	-
<b>Total funds carried forward</b>		<b>852.7</b>	<b>104.4</b>	<b>957.1</b>

The Statement of Financial Activities includes all gains and losses recognised in the period.

All income and expenditure derive from continuing operations.

No comparative information is presented as 2015 is the Foundation's first reporting period.

The notes on pages 16 to 24 form an integral part of these financial statements.

# The Virgin Money Foundation

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## BALANCE SHEET As at 31 December

	Note	2015 £'000
<b>Current assets</b>		
Cash at bank and in hand	6	1,507.1
Debtors	7	69.1
<b>Total current assets</b>		<b>1,576.2</b>
<b>Liabilities</b>		
Creditors: Amounts falling due within one year	8	(619.1)
<b>Net current assets</b>		<b>957.1</b>
<b>Total assets less current liabilities</b>		<b>957.1</b>
<b>Total net assets</b>	12	<b>957.1</b>
<b>The funds of the charity</b>		
Restricted income funds	10	104.4
Unrestricted income funds	11	852.7
<b>Total charity funds</b>		<b>957.1</b>

No comparative information is presented as 2015 is the Foundation's first reporting period.

The notes on pages 16 to 24 form an integral part of these financial statements.

The financial statements were approved by the Board of Trustees on 29 March 2016 and signed on its behalf by:

**Edward Wakefield**  
Chairman of the Board of Trustees

# The Virgin Money Foundation

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## CASH FLOW STATEMENT For the period ended 31 December

	2015 £'000
<b>Cash flows from operating activities</b>	
Net cash provided by operating activities	(a) <u>1,507.1</u>
Change in cash and cash equivalents in the reporting period	1,507.1
Cash and cash equivalents at the beginning of the reporting period	-
<b>Cash and cash equivalents at the end of the reporting period</b>	(b) <u>1,507.1</u>

### (a) Reconciliation of net movement in funds to net cash flows from operating activities

	2015 £'000
<b>Net movement in funds (as per Statement of Financial Activities)</b>	957.1
<b>Adjustments for:</b>	
Increase in debtors	(69.1)
Increase in creditors	619.1
<b>Net cash provided by operating activities</b>	<u>1,507.1</u>

### (b) Analysis of cash and cash equivalents

	2015 £'000
Cash at bank and in hand	1,507.1
<b>Total cash and cash equivalents</b>	<u>1,507.1</u>

No comparative information is presented as 2015 is the Foundation's first reporting period.

The notes on pages 16 to 24 form an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2015

### 1. ACCOUNTING POLICIES

#### 1.1 *Reporting entity*

The Foundation is a company limited by guarantee and has no share capital. The member of the company is Virgin Money Holdings (UK) plc. In the event of being wound up, the liability of the member in respect of the guarantee is limited to £1.

The Foundation was incorporated on 25 February 2015, and these financial statements represent its first reporting period to 31 December 2015. Accordingly no comparative information is provided.

#### 1.2 *Basis of preparation and going concern*

The Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

The financial statements, which should be read in conjunction with the Trustees' Report, are prepared in compliance with the Companies Act 2006, the Charities Act 2011, Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('the SORP') and applicable accounting standards in the United Kingdom (UK GAAP).

The Foundation has adjusted the formats from those prescribed by the Companies Act 2006 to include headings that are relevant to its activities, to enable it to show a true and fair view.

External funding has been pledged from the UK Government and Virgin Money until April 2019. In addition all operating costs will be covered by Virgin Money under the framework agreement during this period. The Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. They continue to believe the going concern basis of accounting appropriate in preparing the annual financial statements.

The Foundation's financial statements are presented in pounds sterling, which is the functional currency of the company.

The principal accounting policies, which have been applied consistently in the period, are set out below.

#### 1.3 *Fund accounting*

General reserves are unrestricted funds that are available for use at the Trustees' discretion in furtherance of the objectives of the charity and that have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside at the discretion of the Trustees for specific purposes. The aim and use of each designated fund is set in note 11.

Restricted funds are subject to specific restrictions imposed by the originator of the income. These include grants and contracts from institutions for provision of specific grants to beneficiaries, activities or services. Costs are charged against the specific fund in line with donor rules. An analysis of the restricted funds is set out in note 10.

Income and gains are allocated to the appropriate fund.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

#### 1.5 Income resources

Income, including donations and grants is recognised when there is evidence of entitlement, receipt is probable and its amount can be measured reliably. In the case of a grant, evidence of entitlement is considered to exist when the formal offer of funding is communicated to the charity. Where grants contain terms or performance conditions which have not been met at the reporting period, the grant received is deferred as a liability and shown in the balance sheet as deferred income. Deferred income is then released to income in the reporting period in which the performance related or other conditions that limit recognition are met.

Grants from governments are included as 'Incoming resources from charitable activities' where these are specifically for the provision of grants or services to be provided as part of charitable activities or services to beneficiaries. Grants which provide core funding, or are of a general nature, are included as 'Income from donations and legacies'. Income is recognised in accordance with the terms of the funding agreement or contract.

Donated services and facilities are included as 'Income from donations and legacies' at their estimated value to the charity when received, and under the appropriate expenditure heading depending on the nature of service or facility provided, at the same value and time.

#### 1.6 Resources expended

All charitable expenditure is incurred in furtherance of the charity's objectives. The Foundation has one activity, being the provision of grants to promote the sustainable regeneration of socially or economically deprived communities. These include grants payable and costs of activities performed directly by the charity, together with associated support cost.

Grants payable in furtherance of the charity's objectives are recognised as expenditure when there is evidence that a present legal or constructive obligation exists, payment is probable and its amount can be measured reliably. Evidence of a present legal obligation arises when the charity enters into a binding contract to make a payment. A constructive obligation arises when the charity indicates to other parties that it accepts specific responsibilities and therefore creates a valid expectation on their part that the charity will meet them.

Governance costs relate to the general running of the charity as opposed to those costs associated with charitable activity. Included within this category are costs associated with internal audit and risk, as well as external audit costs.

All support costs, such as general management, payroll administration, budgeting and accounting, information technology, human resources and financing are allocated to governance costs as the only activity of the Foundation is the provision of grants.

# The Virgin Money Foundation

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.7 Taxation

The Foundation is a registered charity and is thus exempt from tax on income and gains falling within chapter 3 of part 11 of the Corporation Tax Act 2010 or s256 of the taxation of Chargeable Gains Act 1992 to the extent that these are applied to charitable objects. No tax charges have arisen in the charity.

Irrecoverable VAT is not separately analysed and is charged to the Statement of Financial Activities when the expenditure to which it relates is incurred, and is allocated as part of the expenditure to which it relates.

### 2. DONATIONS AND LEGACIES

	Unrestricted	Restricted	Total
	£'000	£'000	£'000
UK Government grants	-	1,000.0	1,000.0
Virgin Money grant	850.0	-	850.0
Donation of services by Virgin Money	132.4	-	132.4
Additional donations by Virgin Money	2.9	-	2.9
<b>Total</b>	<b>985.3</b>	<b>1,000.0</b>	<b>1,985.3</b>

Virgin Money provides the Foundation with services, including provision of the Foundation's core staff, office space, technology, legal and accountancy support. The value of these services is treated as a donation to the Foundation. Further analysis of the services donated by Virgin Money is shown in note 3.

# The Virgin Money Foundation

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the period ended 31 December 2015

### 3. EXPENDITURE

	Unrestricted	Restricted	Total
	£'000	£'000	£'000
Expenditure on charitable activities	-	895.6	<b>895.6</b>
Governance and support costs	132.4	-	<b>132.4</b>
Bank charges	0.2	-	<b>0.2</b>
<b>Total</b>	<b>132.6</b>	<b>895.6</b>	<b>1,028.2</b>

#### (a) Analysis of expenditure on charitable activities

The Foundation received a donation from the UK Government during the year which has been used to provide grants to charitable organisations based in the North East of England. Grants payable to these organisations are considered to be part of the costs of activities in furtherance of the objectives of the charity. The charity's activities are carried out through grants to organisations that promote sustainable regeneration of communities in the UK.

Further details of the grants payable during 2015 are shown below.

#### (b) Analysis of grants payable

The grants awarded during 2015 are further analysed below:

	Grants to institutions	Total
	£'000	£'000
Helping disadvantaged young people into employment	328.2	<b>328.2</b>
Supporting new or existing social enterprises	300.3	<b>300.3</b>
Helping homeless people find and keep a home	267.1	<b>267.1</b>
<b>Total grants payable</b>	<b>895.6</b>	<b>895.6</b>

No grants in 2015 were payable to individuals.

# The Virgin Money Foundation

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2015

### 3. EXPENDITURE (continued)

#### (c) Governance and support costs

	<b>Total £'000</b>
<b>Management and administration costs</b>	
Staff costs	62.2
Finance, risk and internal audit	20.2
Information technology	12.8
Other administrative expenses	12.7
Legal and secretariat	12.0
Premises and facilities	4.8
Human resources	2.7
Auditor's remuneration	5.0
<b>Total support costs</b>	<b>132.4</b>

The Foundation has entered into a framework agreement with Virgin Money to provide support services. Under the terms of this agreement, the Foundation is provided with staff, office space, and facilities. Virgin Money also provides human resources services, IT and other administrative support to the Foundation.

All governance and support costs relate to the Foundation's grant-making activities, and are incurred by Virgin Money and donated to the Foundation.

#### (d) Auditor's remuneration

	<b>2015 £'000</b>
Fees payable to the Foundation's auditor for the audit of the Foundation's accounts	5.0
<b>Total auditor's remuneration</b>	<b>5.0</b>

The statutory audit fee was included within the Virgin Money Group audit fee paid by Virgin Money. The value of this service has been estimated to be £5,000 and has been treated as a donation from Virgin Money.

# The Virgin Money Foundation

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period ended 31 December 2015

### 4. NET INCOME FOR THE PERIOD

Net income for the period is stated after charging:

	<b>2015</b>
	<b>£'000</b>
Auditor's remuneration	5.0
Trustees' expenses	1.7
Bank charges	<u>0.2</u>

None of the Trustees received any emoluments in respect of services to the Foundation.

#### Trustees' expenses

Trustees' expenses include amounts reimbursed to Trustees for out of pocket expenses and amounts paid to third parties for costs including travel, accommodation, subsistence and training. Trustees are reimbursed for travel when claimed. During the period, four Trustees received reimbursements of personal travel amounting in aggregate to £1,740.

These expenses were funded by Virgin Money and treated as a donation to the Foundation.

### 5. EMPLOYEE INFORMATION

The Foundation did not directly employ any staff during the year. The services of individuals were obtained from Virgin Money as a donation of service to the Foundation.

### 6. CASH AT BANK AND IN HAND

	<b>2015</b>
	<b>£'000</b>
Cash and bank balances	1,507.1
<b>Total cash at bank and in hand</b>	<u><b>1,507.1</b></u>

### 7. DEBTORS

	<b>2015</b>
	<b>£'000</b>
Accrued income	69.1
<b>Total</b>	<u><b>69.1</b></u>

# The Virgin Money Foundation

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the period ended 31 December 2015

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2015</b>
	<b>£'000</b>
Accruals for grants payable	619.1
<b>Total</b>	<b>619.1</b>

### Reconciliation of grants payable

	<b>2015</b>
	<b>£'000</b>
Opening balances brought forward	-
Grants awarded in the period	895.6
Grants paid in the period	(276.5)
<b>Grants payable carried forward</b>	<b>619.1</b>

### 9. CONTINGENT LIABILITIES

Contingent liabilities are disclosed unless the possibility of their existence is remote. The Trustees are not aware of any significant contingent liabilities as at 31 December 2015.

### 10. RESTRICTED INCOME FUNDS

The movements on the restricted funds are as follows:

	<b>Opening balances brought forward</b>	<b>Income</b>	<b>Expenditure</b>	<b>Fund balances carried forward</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
UK Government	-	1,000.0	(895.6)	<b>104.4</b>

The Foundation applies for funding from the UK Government following the approval of successful grant applications by the Trustees. As funding is provided in relation to specific grants awarded by the Foundation, the funds provided by the UK Government are treated as restricted income funds.

# The Virgin Money Foundation

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the period ended 31 December 2015

### 11. UNRESTRICTED INCOME FUNDS

The movements on the unrestricted funds are as follows:

	General £'000	Designated: Sunderland Youth Zone £'000	Total £'000
At the beginning of the period	-	-	-
Surplus for the year	852.7	-	852.7
Transfers between funds	(850.0)	850.0	-
<b>At the end of the period</b>	<b>2.7</b>	<b>850.0</b>	<b>852.7</b>

The Trustees have agreed to designate £850,000 of unrestricted funds to support Sunderland Youth Zone. The proposed timing of expenditure is £450,000 in November 2016 and £400,000 in May 2017 and is subject to a number of key deliverables, such as final planning permission and confirmation of all capital funds being raised.

### 12. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted		Restricted fund	Total
	General £'000	Designated: Sunderland Youth Zone £'000		
Current assets	2.7	850.0	723.5	1,576.2
Current liabilities	-	-	(619.1)	(619.1)
<b>Net assets</b>	<b>2.7</b>	<b>850.0</b>	<b>104.4</b>	<b>957.1</b>

### 13. RELATED PARTY TRANSACTIONS

	Transaction value Period ended 31 December 2015 £'000	Balance outstanding As at 31 December 2015 £'000
Donations received from Virgin Money plc	985.3	-
Recharges and trading balances with Virgin Money plc	132.4	-

The Foundation receives donations from Virgin Money plc, a wholly owned subsidiary of its sole member to pursue its charitable objective. Further details of donations received from Virgin Money plc are shown in Note 2. The Foundation also receives donations from Virgin Money plc in the form of administrative services, and other support and facilities costs incurred in running the charity. Further details of these donations and the corresponding charges are shown in Notes 2 and 3.



## NOTES TO THE FINANCIAL STATEMENTS (continued) For the period ended 31 December 2015

### **14. SUBSEQUENT EVENTS**

Subsequent to the balance sheet date, the Foundation awarded grants totalling £104,400, with the effect that the full £1 million in UK Government funding for the fiscal year to April 2016 has now been allocated.

Apart from the matter disclosed above, there have been no other material events after the reporting period requiring disclosure between 31 December 2015 and the signing of these financial statements.