

Registered Company: 09457101  
Registered Charity: 1161290

# **THE VIRGIN MONEY FOUNDATION**

**Annual Report and Accounts  
Year Ended 31 December 2016**

The Virgin Money Foundation  
**Contents**

	<b>Pages</b>
Company Information	2
Chairman's Statement	3
Trustees' Report	4
Independent Auditors' Report	13
Statement of Financial Activities	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Financial Statements	19

# The Virgin Money Foundation

## Company Information

The Virgin Money Foundation (the "Foundation") is a registered charity supported by Virgin Money Holdings (UK) plc ("Virgin Money Holdings") and its main subsidiary Virgin Money plc (referred to either singularly or collectively as "Virgin Money"). 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. The Trustees' Report on pages 4 to 12 has been prepared to satisfy the Directors' Report requirements of the Companies Act 2006.

### Reference and Administrative Information

<b>Trustees:</b>	Edward Wakefield (Chairman)
	Joanne Curry
	Tim Davies-Pugh
	Stephen Pearson
	Michael Peckham
	Sir Tom Shebbeare
	Anthony Mooney (Resigned 6 December 2016)
	Tim Arthur (Appointed 6 December 2016)
	Emma Morris (Appointed 29 March 2017)
<b>Company Secretary:</b>	Katie Marshall
<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 Auditors:</b>	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
<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 Chairman's Statement

The Virgin Money Foundation launched in 2015 with a question to ask in every community facing a social or economic disadvantage: '*What do you see?*'

We asked this – and still ask it – because we believe passionately that The Virgin Money Foundation can make the biggest difference by supporting individuals and institutions that have the drive and ability to act on their particular vision to bring change in their own local community.

The Foundation can help both financially and, critically, in other ways as well. As an independent foundation set up by Virgin Money, we are committed to ensuring that our grant recipients benefit not only from the financial awards we make, but from the skills, expertise, connections, passion and energy of the colleagues at Virgin Money. We are fortunate and very grateful that so many Virgin Money colleagues have shown themselves willing to help our beneficiaries, be it through training, trusteeship, mentoring, ideas, introductions, volunteering or professional support. To those that have helped thus far, thank you. Your support really does make a huge difference to what the Foundation's beneficiaries can achieve.

Equally, we are excited about the growing community of beneficiaries who, beyond the work that they are doing on their own projects, are increasingly willing to share their own experience and learnings for the benefit of others with a similar vision. We feel that the Foundation will achieve the most lasting social benefit by building and supporting a movement of these people for whom community regeneration is a true passion that must be shared and acted upon.

The pages that follow record what the Foundation has achieved during 2016, our first full year of operation. We also set out the Foundation's policies and objectives and the longer term strategy agreed by the Trustees during the year. As you will read, it has been a particularly busy period and we start 2017 with a number of additional funds and new initiatives that will see us support an even greater range of regeneration initiatives in the year to come, including our first work outside the North East of England.

I would like to place on record the Trustees' thanks to the Foundation's executive team - most ably and energetically led by our newly appointed Executive Director, Nancy Doyle - for their hard work and for their own entrepreneurship and passion in helping both the Foundation and its beneficiaries achieve their full potential.

We also remain deeply grateful to Virgin Money and to the UK Government via the Department for Culture, Media and Sport for the funding and other support that they continue to provide.

After only one full year of operation, it is already evident that the grants that the Foundation has been able to make have delivered important outcomes: people gaining sustainable housing where they otherwise would have no home, young people securing jobs where they never thought they would and new social enterprises, with immense potential to drive positive change, being launched in the North East of England.

As such, our biggest and most particular thanks go to the outstanding and inspiring charities and social enterprises with which we have the privilege of funding and working. It is their vision, determination and hard work that is bringing lasting and important change for the better in the places it is needed most – which is exactly what the Foundation was set up to achieve.



Edward Wakefield  
Chairman of the Board of Trustees  
12 April 2017

# The Virgin Money Foundation Trustees' Report

## Objectives and activities

The Foundation was incorporated on 25 February 2015 as a company limited by guarantee. It was registered as a charity on 15 April 2015. Virgin Money launched the Foundation as a further demonstration of its 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 Trustees confirm that they have referred to the Charity Commission's general guidance on public benefit when reviewing the Foundation's aims and objectives, planning future activities and setting the grant-making policy for the period.

The Foundation has been established for the public's benefit and has two documented 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.

In practice, the first of these objectives presently commands the Trustees' exclusive attention.

The Foundation defines economically and socially deprived areas as typically characterised by some or all of: poor access to employment opportunities, 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 key reference point to assess whether an area fits the Foundation's criteria.

The Foundation typically provides both financial and non-financial support to charities and social enterprises through its grant-making programmes.

## Measures of success

The Foundation launched its grant making in August 2015 and, over the last 16 months, its primary activity has been delivery of the North East Fund. Accordingly its measures of success during the period were focused upon this fund. Success was measured according to how effectively the Foundation deployed its funds and the outcomes achieved by the projects it funded, specifically:

1. To deliver a North East Fund that enables work in the most deprived communities to support homeless people into affordable accommodation, young people into sustainable jobs, and the development of new social enterprises. We measure the geographic and thematic spread of our grants and the outcomes achieved by funded activity.
2. To go beyond grant making, supporting organisations in their development, through providing skilled volunteers and expertise from our Virgin Money colleagues. We measure the growth in non-financial support given to the charities we fund and the feedback given regarding its value.

These measures of success will be supplemented in 2017 with measures relating to activity set out in our new strategy.

## Strategy

During the year the Trustees of the Foundation developed a 3 year strategy to guide the Foundation's work in its formative years. Amongst its key strategic aims are the following priorities:

Priority 1: Harness the skills, connections and energy of Virgin Money colleagues to benefit grant recipients

The Foundation was established to be reflective of Virgin Money's own values, which can be summarised in their ambition, which is to make 'everyone better off'. While our initial aim is to progress grant-making that is straightforward and impactful, we are also seeking to facilitate skill sharing between Virgin Money and the charities

## The Virgin Money Foundation Trustees' Report

we fund, and in particular, to provide our charities with skill-based volunteers, connections and expertise that they might otherwise struggle to find.

### Priority 2: Develop strategic partnerships

We are seeking to play an increasing role as a key member of the funding community in the North East and, over time, nationally. We are seeking to identify foundations and other potential partners with overlapping goals to the Foundation, with a view to developing shared programmes that combine resources and knowledge to have a greater impact on the communities in which we invest.

We are seeking to develop lasting and collaborative relationships with charities and social enterprises beyond the term of our initial financial support, ensuring that their activities remain supported and amplified. Finally, we are committed to being an effective and trusted partner to government and statutory bodies with a shared interest in the communities we are seeking to regenerate.

### Priority 3: Develop funding sustainability

The Foundation aims to extend the horizon of its funding certainty by evidencing to its current funding partners the value of its work. We also aim to develop additional income streams and partnerships to help the Foundation extend its work in communities that are most in need.

### Priority 4: Have a wider offer beyond grant-making

We consider grant-making to be one important tool within a tool box of resources for the charities we support. Grant-making is where we have started, giving grants directly to organisations whose work closest meets our aims as a funder. As we develop as a foundation, we want to diversify this offering. At the core of our DNA as the Virgin Money Foundation is entrepreneurship. In the future we will aim to reflect this in the work we do through convening, driving and supporting social entrepreneurship, and by diversifying the types of financial support that we can deploy to help people who can bring positive change to disadvantaged communities.

## Achievements and performance

### *North East Fund*

During the financial year from 1 January 2016 to 31 December 2016, 26 grants were made by the North East Fund totalling £1,044,884. Of this, £104,350 represents 3 grants made in January 2016 under the 2015 North East Fund. These grants were made following the end of the calendar year but within the fiscal tax year to which the UK Government, as funder of the North East Fund, operates. These 3 grants were reported as a post balance sheet event in our 2015 Annual Reports and Accounts.

We launched the second year of the North East Fund in May 2016 and, by the end of the financial year, had awarded 23 grants from the 2016 Fund totalling £940,534.

The 26 grants detailed above were spread across our fund objectives as follows:

Theme	Number of Awards	Total Awarded
Homelessness	11	£476,704
Young People	12	£450,980 (of which 2 awards totalling £65,900 were awarded from the 2015 Fund; 10 awards totalling £385,080 were awarded from the 2016 Fund)
Social Enterprise	3	£117,200 (of which 1 award of £38,450 was awarded from the 2015 Fund; 2 awards totalling £78,750 were awarded from the 2016 Fund)

During the financial year, one recipient of a North East Fund grant awarded in 2015 and reported in the 2015 Annual Report and Accounts concluded that its ambitions as stated in its application were not achievable. As such £36,000, being the unspent element of the grant, was returned to the Cabinet Office as the original funder and has been recognised as a deduction to income and expenditure in the current year.

## The Virgin Money Foundation Trustees' Report

Following the end of the financial year but before the end of the fiscal tax year we made 3 additional awards under the Homelessness theme totalling £51,400 and 1 additional award under the Young People theme of £8,066.

### *Ripple Fund*

At the end of the financial year we launched a pilot of the Ripple Fund. The Ripple Fund is designed to support sustainable regeneration in local communities, enabling activity that is likely to have a ripple effect beyond its immediate context.

As with all of the Foundation's work, we are particularly focused on supporting people with the vision, drive and ability to tackle social and economic disadvantage in their local community. With the Ripple Fund we will be funding work under three key themes:

#### Theme 1: Building community anchors

We believe that communities need a place where they can get involved, contribute ideas and time and have their needs met. This can take many forms. In a small community the anchor may be a 'hub' which is the focal point for the whole neighbourhood, the provider of statutory services and used by a cross section of the community. In larger urban conurbations, the community anchor may help a particular demographic to join in, develop new skills and gain employment. When communities fall into decline, these community anchors become threatened or cease to exist.

Through the Ripple Fund we aim to provide financial support to develop community anchors that deliver strong economic outcomes focused upon job creation, enterprise, education and training. In addition to financial support, we aim to stimulate joint learning between community anchors so that ideas and best practice are shared.

#### Theme 2: Enabling inclusion

We believe that communities are at their strongest when they foster inclusion and enable everyone to play their part. Poverty, homelessness and social isolation prevent people from contributing to society and weaken communities. Through the Ripple Fund we will support a small number of projects, run by organisations who champion inclusion. We are looking for projects that are focused on the regeneration of an area, through addressing the root causes of exclusion.

#### Theme 3: Supporting start up: social innovators

The Foundation believes in supporting innovators. The need for regeneration in many of our towns and communities across the UK is indisputable. We believe that many of the most practical and innovative solutions have yet to be found or proven. Through the Ripple Fund, we will support a small number of social innovators, connecting them with other key thinkers, providing expertise to assist with business planning and financial strategies, seed funding for new ideas and grants and potentially, loan investment to help them scale their solutions.

#### Commitments made during the pilot phase of the Ripple Fund

The Board of Trustees met in December 2016 and, in support of the pilot phase of the Ripple Fund, designated £300,000 from the fund to Scotcash for the expansion of their financial inclusion service from Glasgow to Edinburgh. This was awarded in January 2017, following the financial year end. A designated fund has been noted in the accounts for this purpose.

Two further applications for Ripple Fund awards were assessed and discussed by the Trustees in January 2017. Awards were made for these in January 2017 to:

Emmaus North East – A grant of £250,000 awarded for the development of their new community and social enterprise in South Shields.

Edberts House – A grant of £216,508 awarded for the refurbishment of their community house in Gateshead and expansion of their activity between 2017 and 2019.

The Trustees will be considering the best path to progress from pilot to full launch of the Ripple Fund during 2017.

# The Virgin Money Foundation Trustees' Report

## ***New funds***

During the reporting period the Foundation created 2 new funds which will be launched in 2017. Funds have been designated in the accounts for this purpose.

### **Small Grants Fund**

As part of the ambition to become a national funder, the Trustees have designated £230,000 for the creation of a Small Grants Fund to be operated in conjunction with Virgin Money's seven customer Lounges. The Lounges will work with the Foundation to award small grants to local charities in their area in line with the objectives of the Foundation.

### **#iwill Fund**

During 2016 it became apparent that the funding designated in the previous financial year to OnSide Youth Zones for the creation of a Youth Zone in Sunderland would not be drawn down, due to sustainable revenue funding not being secured by the project. The Trustees agreed to remove the designation of the funding to OnSide Youth Zones and instead to use these funds to create a new fund in support of the #iwill campaign. #iwill is a national campaign seeking to increase the numbers of young people participating in youth social action. £850,000 has been designated in our accounts for the creation of an #iwill fund to ensure that young people from deprived areas of the North East have access to high quality social action opportunities.

### **Funder Plus**

As part of our intention to offer a wide range of support to charities beyond grant-giving, we have developed our Funder Plus programme. During the financial year 14 skills-based volunteers were provided to our funded organisations, including 4 executive level volunteers who became trustees, directors or executive coaches for the charities we fund. We believe that the Foundation's ability to connect such professionals with the beneficiaries that we fund is, and will remain, a key differentiator. We are determined to expand this activity. We believe strongly that such interactions provide outstanding personal development for the volunteers.

We also worked with Virgin Money to offer three Strive to Thrive training days, providing young people from our funded organisations with a structured day of learning and preparation for the world of work. This is a further example of the benefits of close co-operation with our benefactor, Virgin Money.

### **Investment policy**

The Foundation is in the fortunate position that its benefactor, Virgin Money, has for the time being agreed to fund the Foundation's operating costs in addition to making a grant for charitable distribution. Accordingly, the Foundation's investment policy is concerned exclusively with funds intended for distribution according to the Foundation's charitable purpose.

In this respect, the Foundation has received, and will continue to receive, relatively large amounts of funds that accumulate prior to deployment to beneficiaries. Accumulation of funds is exacerbated by (1) any delay in allocation and then deployment and (2) the necessity to retain absolute assets against absolute liabilities – e.g. where the Foundation has made a commitment without conditions over an extended period of time.

The Trustees expect that from time to time there may be some accumulation of funds prior to deployment and, as such, have adopted a clear investment policy for the Foundation as follows:

Unless the Board specifically agrees otherwise:

1. The Foundation must hold at least 100% of the value of any conditionless committed funding calls expected within the next 6 months in immediately realisable cash on deposit.
2. The Foundation must hold the balance of any conditionless funding commitments either in immediately realisable cash on deposit or in cash realisable within 120 or fewer days.



## The Virgin Money Foundation Trustees' Report

3. The Foundation may hold up to 50% of its uncommitted funds in AA or better rated government bonds provided (i) any funds so committed are realisable within 181 or fewer days (ii) any currency risk is hedged completely and (iii) no credit risk is taken other than systemic and/or counterparty risk – i.e. any securities are bought on a yield to redemption basis.
4. The balance of uncommitted funds must be held as cash realisable within 181 or fewer days.
5. Any cash on deposit must be held within an institution approved by the Board having regard first to its creditworthiness, second to the rate of interest being paid and third the extent to which the proposed institution and/or financial product constitutes an ethical investment.
6. No more than £1 million should be held with any one institution without the Board's explicit prior approval, to be renewed at each Board meeting, and there is a normal presumption against this.

### Reserves policy

The Trustees review the reserves policy annually and monitor the level of reserves throughout the year. Unrestricted funds are held with the aim of enabling the Foundation to meet its current funding commitments. In addition, the Trustees have agreed that it is prudent to hold sufficient reserves to cover 3 months non-grant expenditure for contingency purposes.

### Financial review

Summary financial information	For the 12 months ended 31 December 2016 £'000	For the 10 months ended 31 December 2015 <sup>1</sup> £'000
Grants and donations received	2,400.7	1,985.3
Other income	2.9	-
Expenditure on charitable activities	(1,008.9)	(895.6)
Other expenditure	(255.0)	(132.6)
<b>Net income</b>	<b>1,139.7</b>	<b>957.1</b>
Restricted income funds	59.5	104.4
Unrestricted income funds	2,037.3	852.7
<b>Total charity funds</b>	<b>2,096.8</b>	<b>957.1</b>

<sup>1</sup> The charity was incorporated on 25 February 2015 and as a result the comparative information for 2015 is for the period from 25 February 2015 to 31 December 2015.

### Income

Income in 2016 totalled £2,403,600. The Foundation received £940,500 from the UK Government and accrued a further amount of £59,500. This represented the second instalment of the total £4,000,000 of grant funding pledged to the Foundation over four years. As noted above, during the financial year, one recipient of a North East Fund grant awarded in 2015 and reported in the 2015 Annual Report and Accounts concluded that its ambitions as stated in its application were not achievable. As such £36,000, being the unspent element of the grant, was returned to the Cabinet Office as original funder and recognised as a deduction to income in the current year. The Foundation also received grants and donations of £1,182,600 from Virgin Money in 2016 (£1,000,000 pledged when the Foundation was first launched plus donations during the year of £182,600). In addition, Virgin Money donated services to the Foundation totalling £254,100. The donated services represent the provision of the Foundation's core staff as well as office space, technology, legal and accountancy support, and the remuneration of the auditors.

### Expenditure

Expenditure in 2016 totalled £1,263,900. 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 Virgin Money Foundation Trustees' Report

The Foundation awarded 26 grants in 2016 totalling £1,044,884 to support projects that will have long-term impact in communities in the North East of England. Grants were made for amounts between £25,000 and £50,000. Grant awards are to cover running costs (not capital costs) and are for one year only. As noted above, £36,000 relating to an unspent element of a grant awarded in 2015 was returned to the Cabinet Office. This amount has been recognised as a deduction to expenditure in the current year. The Foundation also recorded £255,000 of operational costs, comprising £254,100 of services donated by Virgin Money and £900 relating to bank charges.

### Reserves

The Foundation's reserves at 31 December 2016 totalled £2,096,800, comprising restricted reserves of £59,500 and unrestricted reserves of £2,037,300.

The unrestricted reserves include £1,862,300 for grant-making and £175,000 as a contingency for non grant-making expenditure in line with our reserves policy.

### Designated Funds

The Unrestricted Funds for grant-making include the following designated funds:

Designation	Amount	Likely timing of expenditure
Small Grants Fund	£230,000	2017-2020
#iwill	£850,000	2017-2019
Scotcash	£300,000	2017 and 2018

### Plans for future periods

Between 2017 and 2019 the Foundation will work to achieve the strategy agreed by the Trustees. This will include the development and delivery of a range of funding programmes including the North East Fund, Ripple Fund, #iwill Fund and a Small Grants Fund delivered in conjunction with Virgin Money Lounges. The Foundation will explore the potential for a social investment fund to support the regeneration of socially and economically deprived communities. In its grants and investments the Foundation will seek to respond to the needs of social sector organisations, developing and delivering funding that meets the needs of these organisations and enables social change to happen in dynamic, effective and innovative ways.

In 2017 the Foundation will continue to concentrate its grant-making in the North East of England, but will begin to make its first awards in other cities across the UK. Its award to Scotcash, to replicate their financial inclusion work in a second Scottish city, signals the first such development.

### 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. 09457101) 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 Holdings is the sole member of the Foundation, but the Foundation is governed by an independent Board of eight 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 Virgin Money Foundation Trustees' Report

- 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.

### Trustees

The Trustees who served during the period and up to the date of signing the financial statements are listed on page 2. Anthony Mooney, Tim Arthur and Stephen Pearson are or were employees of Virgin Money. The Foundation's policies regarding Trustees are as follows:

- Virgin Money appoints the Trustees, but Virgin Money 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 Virgin Money. 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 can serve in office for multiple consecutive terms, subject to each term being no longer than three years.
- 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 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 although the Foundation meets the costs of the Trustees' travel to and from meetings, plus accommodation where required (within the bounds of its adopted expenses policy).

### Colleagues and remuneration

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

During the reporting period a permanent Executive Director was recruited and appointed to the Foundation. Nancy Doyle started in post in August 2016. Jo Barnett held the role of Interim Executive Director until this time. All Foundation colleagues are employed by Virgin Money and therefore matters of salary and review are administered in line with the organisation's Remuneration Policy. The Chair of the Board of Trustees provides detailed feedback on the performance of the Executive Director as part of the annual pay review process.

### Key relationships

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

# The Virgin Money Foundation Trustees' Report

## Guarantees

In the event of the Foundation being wound up, the liability of the sole member of the Foundation, Virgin Money Holdings, is limited to £1. The total number of such guarantees at 31 December 2016 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.

## Auditors

Following a tender process, the Trustees determined it was appropriate to appoint PricewaterhouseCoopers LLP as the auditors of the Foundation in accordance with Section 485 of the Companies Act 2006.

## 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 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.

**The Virgin Money Foundation  
Trustees' Report**

**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 and signed on their behalf on 12 April 2017 by:

A handwritten signature in black ink, appearing to read 'Edward Wakefield', written in a cursive style.

**Edward Wakefield**

Chairman of the Board of Trustees

# The Virgin Money Foundation Independent Auditors' Report

## Independent auditors' report to the members of The Virgin Money Foundation

### Report on the financial statements

#### Our opinion

In our opinion, The Virgin Money Foundation's financial statements (the "financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and of its incoming resources and application of resources, including its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the statement of financial activities and the summary income and expenditure account for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Trustees' Annual Report. We have nothing to report in this respect.

#### Other matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

## The Virgin Money Foundation Independent Auditors' Report

- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Trustees were not entitled to: prepare financial statements in accordance with the small companies' regime; and take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 11, the Trustees 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's members and Trustees as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

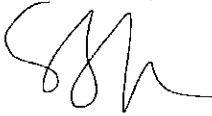
- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustees; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

**The Virgin Money Foundation**  
**Independent Auditors' Report**

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether this includes the disclosures required by applicable legal requirements.



Shujaat Khan (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
12 April 2017

- (a) The maintenance and integrity of the Virgin Money Foundation website is the responsibility of the Trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



The Virgin Money Foundation  
**Statement of Financial Activities**  
(Including Income and Expenditure Account)

	Note	For the 12 months ended 31 December 2016			For the 10 months ended 31 December 2015
		Unrestricted funds £'000	Restricted funds £'000	Total funds £'000	Total Funds £'000
<b>Income from:</b>					
Donations and legacies	2	1,436.7	964.0	2,400.7	1,985.3
Other income	3	2.9	-	2.9	-
<b>Total income</b>		<b>1,439.6</b>	<b>964.0</b>	<b>2,403.6</b>	<b>1,985.3</b>
<b>Expenditure on:</b>					
Charitable and other activities	4	(255.0)	(1,008.9)	(1,263.9)	(1,028.2)
<b>Total expenditure</b>		<b>(255.0)</b>	<b>(1,008.9)</b>	<b>(1,263.9)</b>	<b>(1,028.2)</b>
<b>Net income and net movement in funds for the period</b>	5	<b>1,184.6</b>	<b>(44.9)</b>	<b>1,139.7</b>	<b>957.1</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward		852.7	104.4	957.1	-
<b>Total funds carried forward</b>		<b>2,037.3</b>	<b>59.5</b>	<b>2,096.8</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.

The charity was incorporated on 25 February 2015 and, as a result, the comparative information for 2015 is for the period from 25 February 2015 to 31 December 2015.

The accompanying notes form an integral part of these financial statements.

**The Virgin Money Foundation**  
**Balance Sheet**

**As at 31 December**

	Note	2016 £'000	2015 £'000
<b>Current assets</b>			
Debtors	7	234.5	69.1
Cash at bank and in hand	8	2,399.6	1,507.1
<b>Total current assets</b>		<b>2,634.1</b>	<b>1,576.2</b>
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	9	(537.3)	(619.1)
<b>Net current assets</b>		<b>2,096.8</b>	<b>957.1</b>
<b>Total assets less current liabilities</b>		<b>2,096.8</b>	<b>957.1</b>
<b>Total net assets</b>	13	<b>2,096.8</b>	<b>957.1</b>
<b>The funds of the charity</b>			
Restricted income funds	11	59.5	104.4
Unrestricted income funds	12	2,037.3	852.7
<b>Total charity funds</b>	13	<b>2,096.8</b>	<b>957.1</b>

The accompanying notes form an integral part of these financial statements.

The financial statements have been prepared in accordance with the provisions of the small companies' regime.

The financial statements were approved and authorised for issue by the Board of Trustees and were signed on its behalf on 12 April 2017:



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

**The Virgin Money Foundation**  
**Cash Flow Statement**

		For the 12 months ended 31 December 2016 £'000	For the 10 months ended 31 December 2015 £'000
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	(a)	892.5	1,507.1
<b>Change in cash and cash equivalents in the reporting period</b>		<b>892.5</b>	<b>1,507.1</b>
Cash and cash equivalents at the beginning of the reporting period		1,507.1	-
<b>Cash and cash equivalents at the end of the reporting period</b>	(b)	<b>2,399.6</b>	<b>1,507.1</b>

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

		For the 12 months ended 31 December 2016 £'000	For the 10 months ended 31 December 2015 £'000
<b>Net movement in funds for the reporting period (as per the Statement of Financial Activities)</b>		<b>1,139.7</b>	<b>957.1</b>
<b>Adjustments for:</b>			
Increase in debtors		(165.4)	(69.1)
(Decrease)/increase in creditors		(81.8)	619.1
<b>Net cash provided by operating activities</b>		<b>892.5</b>	<b>1,507.1</b>

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

	2016 £'000	2015 £'000
Cash at bank and in hand	2,399.6	1,507.1
<b>Total cash and cash equivalents</b>	<b>2,399.6</b>	<b>1,507.1</b>

The charity was incorporated on 25 February 2015 and, as a result, the comparative information for 2015 is for the period from 25 February 2015 to 31 December 2015.

The accompanying notes form an integral part of these financial statements.

# The Virgin Money Foundation

## Notes to the Financial Statements

### 1. Accounting policies

#### (a) Reporting entity

The Foundation is a company limited by guarantee incorporated in England and Wales 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, as a result, the comparative information for 2015 is for the period from 25 February 2015 to 31 December 2015.

#### (b) 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 to be 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.

#### (c) Fund accounting

The Trustees review the reserves policy annually and monitor the level of reserves throughout the year. Unrestricted funds are held with the aim of enabling the Foundation to meet its current funding commitments. In addition, the Trustees have agreed that it is prudent to hold sufficient reserves to cover 3 months non-grant expenditure for contingency purposes.

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 12.

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 11.

Income and gains are allocated to the appropriate fund.

#### (d) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

**The Virgin Money Foundation**  
**Notes to the Financial Statements**

**1. Accounting policies (continued)**

**(e) 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 and organisations 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.

**(f) Resources expended**

Grants payable are made to third parties in the furtherance of the charitable objects of the Foundation. In the case of an unconditional grant offer, this is accrued once the recipient has been notified of the grant award. The notification gives the recipient a reasonable expectation that they will receive the one-year or multi-year grant. Grant awards that are subject to the recipient fulfilling performance conditions are only accrued when the recipient has been notified of the grant and any remaining unfulfilled condition attaching to the grant is outside the control of the Foundation.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty as to the timing of the grant or the amount payable.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Foundation that would permit the Foundation to avoid making future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the average rate of investment yield in the year in which the grant award is made.

A contingent liability is identified and disclosed for those grants resulting from:

- A possible obligation which will only be confirmed by the occurrence of one or more uncertain future events not wholly within the Trustees' control; or
- A present obligation following a grant offer where settlement is either not considered probable; or
- The amount has not been communicated in the grant offer and that amount cannot be estimated reliably.

**Support 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**  
**Notes to the Financial Statements**

**1. Accounting policies (continued)**

**(g) 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.

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**

	2016 Unrestricted £'000	2016 Restricted £'000	2016 Total £'000	2015 Total £'000
UK Government grant	-	964.0 <sup>1</sup>	964.0 <sup>1</sup>	1,000.0
Virgin Money grant	1,000.0	-	1,000.0	850.0
Virgin Money donations	182.6	-	182.6	2.9
Virgin Money donation of services	254.1	-	254.1	132.4
<b>Total</b>	<b>1,436.7</b>	<b>964.0</b>	<b>2,400.7</b>	<b>1,985.3</b>

<sup>1</sup> During 2016, one recipient of a North East Fund grant awarded in 2015 and reported in the 2015 Annual Report and Accounts concluded that its ambitions as stated in its application were not achievable. As such £36,000, being the unspent element of the grant, was returned to the Cabinet Office as the original funder and has been recognised as a deduction to income and expenditure in the current year.

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 4.

**3. Other income**

	2016 Unrestricted £'000	2016 Restricted £'000	2016 Total £'000	2015 Total £'000
Bank interest	2.9	-	2.9	-
<b>Total</b>	<b>2.9</b>	<b>-</b>	<b>2.9</b>	<b>-</b>

**4. Expenditure**

	2016 Unrestricted £'000	2016 Restricted £'000	2016 Total £'000	2015 Total £'000
Expenditure on charitable activities	-	1,008.9	1,008.9	895.6
Governance and support costs	254.1	-	254.1	132.4
Bank charges	0.9	-	0.9	0.2
<b>Total</b>	<b>255.0</b>	<b>1,008.9</b>	<b>1,263.9</b>	<b>1,028.2</b>

**The Virgin Money Foundation**  
**Notes to the Financial Statements**

**4. Expenditure (continued)**

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

The Foundation received a grant 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 or to support other charitable purposes in the UK.

Further details of the grants payable during 2016 are shown below.

**(b) Analysis of grants payable**

The grants payable are further analysed below:

	<b>2016</b>	2015
	<b>Grants to</b>	Grants to
	<b>Institutions</b>	Institutions
	<b>£'000</b>	£'000
Helping disadvantaged young people into employment	451.0	328.2
Supporting new or existing social enterprises	117.2	300.3
Helping homeless people find and keep a home	476.7	267.1
<b>Total grants payable</b>	<b>1,044.9</b>	895.6
Less grant returned to UK Government	(36.0) <sup>1</sup>	-
<b>Expenditure on charitable activities</b>	<b>1,008.9</b>	895.6

<sup>1</sup> During 2016, one recipient of a North East Fund grant awarded in 2015 and reported in the 2015 Annual Report and Accounts concluded that its ambitions as stated in its application were not achievable. As such £36,000, being the unspent element of the grant, was returned to the Cabinet Office as the original funder and has been recognised as a deduction to income and expenditure in the current year.

No grants in 2016 and 2015 were payable to individuals.

**(c) Governance and support costs**

	<b>2016</b>	2015
	<b>Total</b>	Total
	<b>£'000</b>	£'000
<b>Management and administration costs</b>		
Staff costs	142.4	61.9
Finance, Risk and Internal Audit	29.7	20.2
Information Technology	17.4	12.8
Other administrative expenses	30.0	13.0
Legal and Secretariat <sup>1</sup>	16.2	12.0
Premises and Facilities	7.2	4.8
Human Resources	4.0	2.7
Auditors' remuneration	7.2	5.0
<b>Total support costs</b>	<b>254.1</b>	132.4

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.

**The Virgin Money Foundation**  
**Notes to the Financial Statements**

**4. Expenditure (continued)**

**(d) Auditors' remuneration**

	2016	2015 <sup>1</sup>
	£'000	£'000
Fees payable to the Foundation's auditors for the audit of the Foundation's Annual Report and Accounts	7.2	5.0
<b>Total auditors' remuneration</b>	<b>7.2</b>	<b>5.0</b>

<sup>1</sup> The charity was incorporated on 25 February 2015 and, as a result, the comparative information for 2015 is for the period from 25 February 2015 to 31 December 2015.

The statutory audit fee was included within the Virgin Money audit fee paid by Virgin Money. The value of this service has been estimated to be £7,200 (2015: £5,000) and has been treated as a donation from Virgin Money.

**5. Net income for the period**

Net income for the period is stated after charging:

	2016	2015 <sup>1</sup>
	£'000	£'000
Auditors' remuneration	7.2	5.0
Trustees' expenses	4.3	1.7
Bank charges	0.9	0.2

<sup>1</sup> The charity was incorporated on 25 February 2015 and, as a result, the comparative information for 2015 is for the period from 25 February 2015 to 31 December 2015.

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 year, four Trustees received reimbursements of personal travel amounting in aggregate to £4,295 (for the 10 months ended 31 December 2015: 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.

**6. Employee information**

The Foundation did not directly employ any staff during the year (2015: none). The services of individuals were obtained from Virgin Money as a donation of service to the Foundation. The table below shows the total costs for staff working for the Foundation but employed and paid by Virgin Money.

	2016	2015
	£'000	£'000
Wages and salaries	121.3	52.8
Social security costs	9.3	3.4
Other pension costs	11.8	5.7
<b>Total staff costs</b>	<b>142.4</b>	<b>61.9</b>



**The Virgin Money Foundation**  
**Notes to the Financial Statements**

**6. Employee information (continued)**

No employees received total benefits (excluding employer pension costs) of more than £60,000 in the current year or prior period.

All staff costs were treated as a donation to the Foundation, shown in note 2.

The monthly average number of persons working for the Foundation but employed and paid by Virgin Money during 2016 was 3 (2015: 2).

**7. Debtors**

	2016	2015
	£'000	£'000
Accrued income	234.5	69.1
<b>Total</b>	<b>234.5</b>	<b>69.1</b>

**8. Cash at bank and in hand**

	2016	2015
	£'000	£'000
Cash and bank balances	2,399.6	1,507.1
<b>Total</b>	<b>2,399.6</b>	<b>1,507.1</b>

**9. Creditors: Amounts falling due within one year**

	2016	2015
	£'000	£'000
Accruals for grants payable	537.3	619.1
<b>Total</b>	<b>537.3</b>	<b>619.1</b>

**Reconciliation of grants payable**

	2016	2015
	£'000	£'000
Opening balances brought forward	619.1	-
Grants awarded in the period	1,044.9	895.6
Grants paid in the period	(1,090.7)	(276.5)
Grants returned to UK Government	(36.0)	-
<b>Grants payable carried forward</b>	<b>537.3</b>	<b>619.1</b>

**10. 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 2016 (31 December 2015: none).

**The Virgin Money Foundation**  
**Notes to the Financial Statements**

**11. Restricted income funds**

The movements on the restricted funds are as follows:

	Opening balances brought forward At 1 January 2016 £'000	Income £'000	Expenditure £'000	Fund balances carried forward At 31 January 2016 £'000
UK Government	104.4	964.0	(1,008.9)	59.5

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.

**12. Unrestricted income funds**

The movements on the unrestricted funds are as follows:

	General £'000	Designated: Sunderland Youth Zone £'000	Designated: #iwill £'000	Designated: Scotcash £'000	Designated: Small Grants Funds £'000	2016 Total £'000	2015 Total £'000
At the beginning of the period	2.7	850.0	-	-	-	852.7	-
Surplus for the year	1,184.6	-	-	-	-	1,184.6	852.7
Transfers between funds	(530.0)	(850.0)	850.0	300.0	230.0	-	-
<b>At the end of the period</b>	<b>657.3</b>	<b>-</b>	<b>850.0</b>	<b>300.0</b>	<b>230.0</b>	<b>2,037.3</b>	<b>852.7</b>

The Trustees have agreed to designate: £300,000 of unrestricted funds to support Scotcash; £230,000 of unrestricted funds for the creation of a Small Grants Fund to be operated in conjunction with Virgin Money's Lounges; and £850,000 to create a North East #iwill fund. The proposed timing of expenditure is between 2017 and 2020 and is subject to a number of key deliverables.

**13. Analysis of net assets between funds**

	Unrestricted					Restricted Fund £'000	2016 Total £'000	2015 Total £'000
	General £'000	Designated: #iwill £'000	Designated: Scotcash £'000	Designated: Small Grants Funds £'000	-			
Current Assets	657.3	850.0	300.0	230.0	-	596.8	2,634.1	1,576.2
Current liabilities	-	-	-	-	-	(537.3)	(537.3)	(619.1)
<b>Net Assets</b>	<b>657.3</b>	<b>850.0</b>	<b>300.0</b>	<b>230.0</b>	<b>-</b>	<b>59.5</b>	<b>2,096.8</b>	<b>957.1</b>

**The Virgin Money Foundation**  
**Notes to the Financial Statements**

**14. Related party transactions**

	Transaction value for the 12 months ended 31 December 2016 £'000	Balance outstanding As at 31 December 2016 £'000	Transaction value for the 10 months ended 31 December 2015 £'000	Balance outstanding As at 31 December 2015 £'000
Donations received from Virgin Money plc:				
Grant and additional donations	1,182.6	175.0	852.9	-
Donation of services	254.1	-	132.4	-
Recharges and trading balances with Virgin Money plc	(254.1)	-	(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 4.

**15. Subsequent events**

Subsequent to the balance sheet date, the Foundation has made payments totalling £537,270 in respect of grants awarded in 2016. The Foundation has also awarded further grants totalling £59,466, with the effect that the full £1 million in UK Government funding for the fiscal year to April 2017 has now been allocated. Of the £59,466 awarded subsequent to the balance sheet date, £42,286 has been paid out to the date of this report. The Foundation has also announced the first grants awarded under its new Ripple Fund, totalling £766,508. Of this total, £355,000 has been paid out to the date of this report.

Apart from the matters disclosed above, there have been no other material events after the reporting period requiring disclosure between 31 December 2016 and the signing of these financial statements.

**The Virgin Money Foundation**  
**Notes to the Financial Statements**

**16. Grants approved in 2016**

Grants approved in 2016 are as follows:

<b>Name of institution</b>	<b>£'000</b>
Cornerstone Supported Housing and Counselling Ltd	38.4
Young Asian Voices	40.9
Cleveland Ironstone Mining Museum	25.0
700 Club	36.8
The A690 Youth Initiative	41.7
Actes Trust	24.2
Action Foundation	48.9
Bright Futures	38.7
Coatham House	49.5
Community Campus '87 (Cleveland) Ltd	39.5
Depaul UK	39.9
East Cleveland Youth Housing Trust	34.9
Emmaus North East	50.0
Hartlepool Citizens Advise Bureau	49.2
Barnardo's	39.7
Blue Watch Youth Project	27.9
Centrepoint	49.3
The Linskill and North Tyneside Community Development Trust	28.8
Oasis Aquila Housing	46.9
Oxclose and District Young People's Project Ltd	47.3
Pennywell Youth Project	40.0
South Tyneside Training and Enterprise Network Ltd	47.7
Street League	37.1
Newcastle upon Tyne YMCA	50.0
YMCA North Tyneside	41.4
Youth Almighty Project	31.2
<b>Total grants approved in 2016</b>	<b>1,044.9</b>

During 2016, one recipient of a North East Fund grant awarded in 2015 and reported in the 2015 Annual Report and Accounts concluded that its ambitions as stated in its application were not achievable. As such £36,000, being the unspent element of the grant, was returned to the Cabinet Office as the original funder.