

# Simplified Prospectus

Virgin UK Index Tracking Trust  
Virgin Climate Change Fund  
Virgin Income Trust

31 December 2010



**Virgin Money Unit Trust Managers Ltd**

Registered office:  
Discovery House,  
Whiting Road,  
Norwich NR4 6EJ.

Registered in England no. 3000482.

Virgin Money Unit Trust Managers Ltd  
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Services Authority.

All calls are recorded and randomly monitored.

All products are available only to  
residents of the United Kingdom.

The information contained in this booklet  
is correct as at January 2011.

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[virginmoney.com](http://virginmoney.com)



# Simplified Prospectus

All unit trust managers have to send customers a Simplified Prospectus, to give customers full details about the investment they are buying. To make it easier to compare unit trusts, the layout and content of the prospectus has to conform to strict guidelines.

This means some of the information is quite technical. If you are at all unclear about anything, either get in touch with us, or seek independent financial advice.

## General information

### Manager

Virgin Money Unit Trust Managers Limited,  
Discovery House,  
Whiting Road,  
Norwich NR4 6EJ

**Tel: 08456 10 20 30**

**www.virginmoney.com**

### Trustee

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

### Auditors

KPMG LLP,  
Saltire Court,  
20 Castle Terrace,  
Edinburgh EH1 2EG

### Scheme promoter

Virgin Money Unit Trust Managers Limited has distribution agreements with Virgin Money Personal Financial Service Limited, a member of the Virgin Money group which markets and provides financial services. Contact details are as per the Manager.

### Supervisory authority

The Financial Services Authority,  
25 The North Colonnade,  
Canary Wharf,  
London E14 5HS  
[www.fsa.gov.uk](http://www.fsa.gov.uk)

### Additional information

If you would also like copies of the full prospectus and/or the Manager's annual and half-yearly reports, or details of earlier total expense ratio figures for our funds, you can get them free by writing to the Manager at the address at the start of this section.

# Virgin UK Index Tracking Trust (VUKITT)

An authorised unit trust established in the United Kingdom on 24 February 1995.

## Investment information

### What are the investment objectives of the Virgin UK Index Tracking Trust?

The investment objective of the Trust is to closely match the performance of the FTSE All-Share Index\* on a capital only and total return (after charges) basis.

### What is the investment policy of the Trust?

The Fund tracks the All-Share Index by investing in the shares of all the UK companies that make up the index. The amount invested in each company's shares depends on what percentage of the index they represent. For instance, if a company's shares make up 2% of the index at any given time, 2% of your investments will be in their shares, and so on.

Behind the scenes an investment type known as futures contracts are used to manage the pool of investors' money before it is invested in the All-Share Index. This is for the purposes of efficient portfolio management. No trading or speculation in these investments is undertaken.

### What are the risks of investing in this Fund?

There are some general risks of investing in equity funds like the Virgin UK Index Tracking Trust, and also some specific risks you should be aware of.

In general:

- ▶ The value of investments and the income they receive may fall and investors may get back less than they put in.
- ▶ Governments can change the tax relief available to individuals and funds.
- ▶ The value of any investment gains may be eroded over time by increases in the general level of prices, i.e. inflation.

In relation to the Virgin UK Index Tracking Trust, investors may face these specific risks:

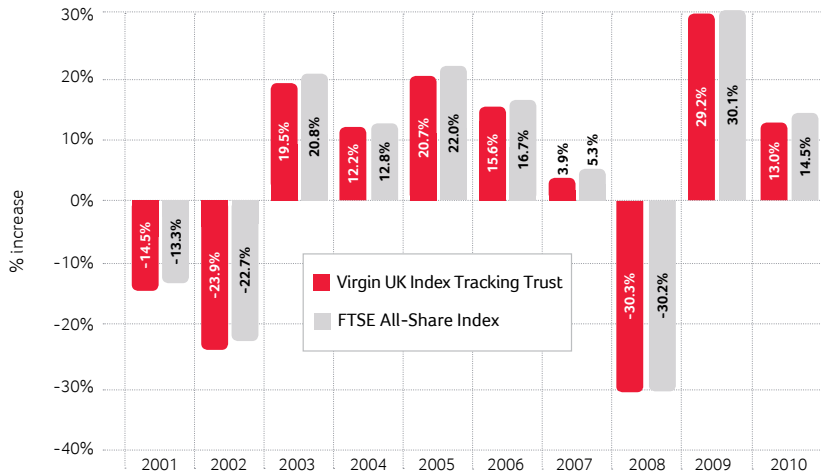
Type of risk	What this means
Market risk	Share prices go up and down, meaning you may get back less than you put in.
Company/sector risk	Although the All-Share Index spreads your risk by investing in hundreds of companies in various sectors and industries, some of those companies and/or sectors can grow so large that they make up a large percentage of the index, which would concentrate risk in those areas.
Credit risk	Once we have paid for shares, the individual or organisation we have bought them from could fail to hand them over.
Performance risk	The fund may not track the index as closely as its stated investment objective.

Full details of these risks can also be found in the full prospectus, which is available on request.

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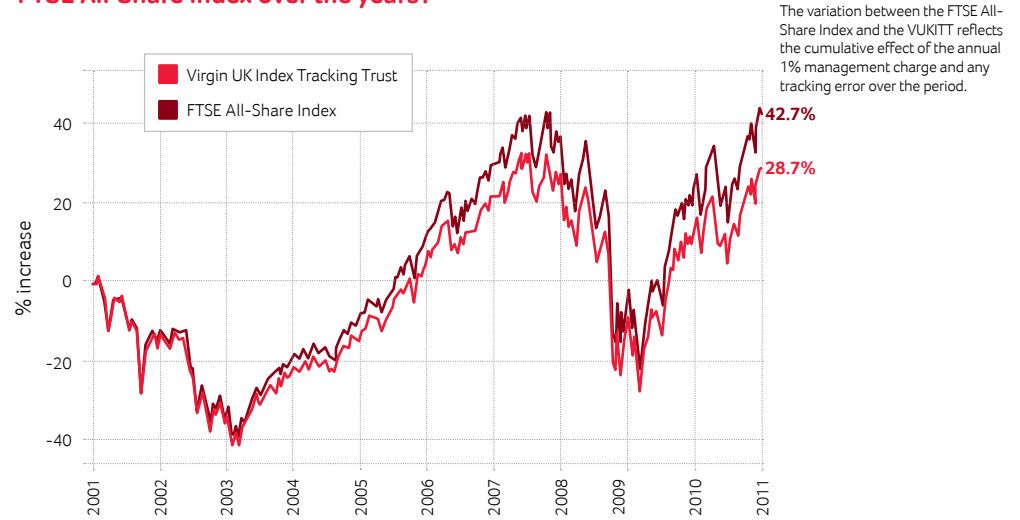
### How has the Fund performed in the past compared to the FTSE All-Share Index?

The graph below shows how the Fund and the FTSE All-Share Index have performed in each of the last ten years. Remember, this historical performance is not an indicator of future performance.



Source: Morningstar Workstation. £1,000 single investment from 31.12.00 to 31.12.10. Bid to bid unit prices, basic rate tax with income reinvested.

### How does the Fund's overall performance compare to the FTSE All-Share Index over the years?



Source: Morningstar Workstation. £1,000 single investment from 31.12.00 to 31.12.10. Bid to bid unit prices, basic rate tax with income reinvested. Please remember that stock markets can go up and down in value and your investment returns are not guaranteed. Past performance is not a guide to future performance.

### What sort of investor is the Fund designed for?

The Fund is aimed at those who would like to grow their capital by investing in a wide range of UK companies and prefer a fund that uses a passive (index tracking) approach rather than an actively managed one. Investors should be able to invest their money for five years or more, and accept the possibility they may not get back all of their original investment.

## Tax and charges

### Tax

Taxation can have an impact in two different ways – on the Fund and on you as an individual taxpayer.

#### How does tax affect the Fund?

In the UK, unit trusts are liable to corporation tax, payable at the lower rate of income tax but are not liable to capital gains made on the disposal of investments, i.e. when shares are sold.

#### How does tax on my ISA affect me?

When investing through an ISA, there is no capital gains tax and no further income tax to pay. On all dividend distributions, tax is deducted at 10% of the 'gross distribution', i.e. the amount before tax is taken off.

#### How does tax on my unit trust affect me?

If you are investing direct into a unit trust in the UK, there are two potential areas of taxation to consider – income tax and capital gains tax. Your liability to pay tax on your investment really depends on your personal circumstances and finances.

If you are at all unclear about your individual tax situation, or what any of the tax regulations mentioned below mean, you can get further advice from HM Revenue & Customs, or by seeking professional financial advice.

### Income Tax

On all dividend distributions of the Fund, we automatically deduct tax at 10% of the 'gross distribution'.

However:

- If you are a higher rate taxpayer you will have further tax to pay. The further tax will be at 32.5% of the gross distribution, less a 10% credit for the tax already taken off the distribution.
- If you have an annual income over £150,000, you will be an 'additional rate taxpayer' and will have to pay further tax at 42.5% of the gross distribution, less a 10% credit for the tax already taken off the distribution.
- Basic rate taxpayers will have no further tax to pay.
- Non-taxpayers are not entitled to reclaim the 10% tax already taken off.

### Capital Gains Tax (CGT)

When you sell units (i.e. cash in some or all of your investment), if your capital gains for the tax year, from all sources, are greater than the annual CGT allowance, you may also be liable to CGT.

Gains are added to total income and the amount of tax you will pay on any capital gains, above your annual allowance, will depend on your individual tax position.

The above statements are based on the Manager's understanding of UK law and HM Revenue & Customs practice as at the date of this prospectus. The future basis and rates of taxation may vary. Although every effort has been made to ensure its accuracy, no responsibility can be taken for the Manager's interpretation. If you are not sure about your individual tax position you should speak to a professional adviser.

#### What about tax if I am investing for a child?

If you are a parent who has opened a unit trust for your child, as long as they are under 18 and unmarried, any income up to £100 is classed as the child's and may be set against the child's personal tax allowance. Any income above £100 is taxed as if it was the parent's. The £100 applies to each parent individually so gifts given separately mean that a child could receive up to £200 before tax is levied on the parents.

Tax credits on dividends from the Virgin UK Index Tracking Trust cannot be repaid to non-tax payers.

If you are opening a unit trust for a child that you are not the parent of, all of the income is treated as the child's. Any capital gains made when the unit trust is cashed in are classed as the child's. Children have the same capital gains allowance as adults.

### What about stamp duty?

Stamp Duty Reserve Tax (SDRT) is a tax levied by the Government. Just like you have to pay stamp duty when you buy a house, a fund manager has to pay SDRT when they buy certain investments. As fund manager we buy your investments back from you when you withdraw money from your fund, so we are subject to this tax, of up to 0.5% of the value of your units.

Our current policy is for our fund manager to meet the full cost of SDRT so there is no impact on investors in the Virgin UK Index Tracking Trust (VUKITT), or on the fund itself. However, in principle a SDRT of 0.5% could be payable by investors in the VUKITT on the buying and selling of units, if our policy changed.

### How will charges and expenses affect my investment?

An annual management fee is charged by the VUKITT. It is currently 1%, calculated daily on the value of the unit trust and is deducted every day from income.

Dealing costs for buying and selling investments in the underlying unit trust are reflected in the unit price, so you are not charged for them as part of your 1% annual management fee.

<b>Customer charges for buying and selling of units</b>	
Initial charge on purchase of units	NIL
Exit fee on sale or fund switch of units	NIL
<b>Annual operating expenses</b>	
All European funds are required to show their Total Expense Ratio (TER). The TER gives investors a clearer idea of the total annual costs involved in running their fund and allows you to compare the annual operating costs of the Fund. It is made up of the Annual Management Charge, plus any additional expenses where charged to the customer, such as trustee fees, audit/legal fees and registration costs. It does not include charges for buying and selling units, if these apply.	
Annual Management Charge	1%
Additional Expenses	NIL
Total Expense Ratio	1%

### Example of how the charges and expenses of the Virgin UK Index Tracking Trust will affect your investment in an ISA

Their effect on an investment of £3,000, assuming growth of 7% a year, is set out below.

The figures are not guaranteed and serve only to demonstrate the effect of charges and expenses on an investment.

At the end of year	Investment to date	Effect of deductions to date	What you might get back at 7%
1	£3,000	£31	£3,170
3	£3,000	£108	£3,560
5	£3,000	£205	£4,000
10	£3,000	£561	£5,330

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £561. Put another way, if the growth rate were to be 7%, which is in no way guaranteed, this would have the same effect as reducing it to 5.9% a year.

### Example of how the charges and expenses of the Virgin UK Index Tracking Trust will affect your investment in a unit trust

Their effect on an investment of £3,000, assuming growth of 6% a year, is set out below.

The figures are not guaranteed and serve only to demonstrate the effect of charges and expenses on an investment.

At the end of year	Investment to date	Effect of deductions to date	What you might get back at 6%
1	£3,000	£31	£3,140
3	£3,000	£108	£3,460
5	£3,000	£205	£3,810
10	£3,000	£561	£4,860

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £561. Put another way, if the growth rate were to be 6%, which is in no way guaranteed, this would have the same effect as reducing it to 4.9% a year.

### Portfolio Turnover Rate (PTR)

The PTR gives the percentage of the Fund that changed during a year through it buying and selling assets. The more stocks and shares a fund buys and sells, the higher the PTR. This can mean higher costs to the Fund, or simply that the Fund is being managed in line with its investment objectives. The PTR was 4.58% from 1 January 2010 to 31 December 2010.

## Further information

### How can I buy units?

You can buy units by sending a completed application form. If you are setting up your investment over the phone or online, your first payment can be made by direct debit or debit card. If you are sending in a postal application your first payment can be made by cheque or direct debit. Top-up payments can be made by cheque, direct debit or debit card. Cash or credit cards will not be accepted.

We will buy units for you the same business day we receive your investment, or if we receive it after 5pm, we'll buy units the next business day.

### How can I sell units?

You may withdraw some or all of your money at any time by writing to us. If you have an ISA you can also withdraw by telephone and online service using your security details. If you have a unit trust held in a single name you can also withdraw by telephone using your security details.

You can make a withdrawal at any time, but new payments (money you have recently paid in) must remain in your account until they have cleared, which takes 10 business days. Units will be sold on the day we receive your instruction (for instructions received after 5pm, the next business day will count as day one). Payment will be made within one business day of your units being sold.

### Can I switch units to another fund?

Yes, you can switch some or all of your investment to another fund in our range. No charge is made for switching.

You can request a switch in writing or by sending a completed 'switch form' to the Manager. We will carry out the switch on the day we receive your instruction. Customers can also switch over the telephone or online (except for joint account holders).

### If I change my mind can I cancel my investment?

No. You can't cancel an investment in this fund. However, you can withdraw your money at anytime. Please remember though, if the stock market has gone down since you invested, you may get back less than you invested.

### How is income paid out?

The income you earn from the Fund's investments (after deducting our expenses) is distributed to investors twice a year. If you hold units on 15 March, your income will be distributed on or before 15 May. If you hold units on 15 September, your income will be distributed on or before 15 November.

Income is reinvested into your ISA or unit trust, but if you are a unit trust investor you can choose to have income paid into your bank account instead.

### How can I find out the unit prices?

The price of units is calculated every business day at 5pm. The unit prices are updated daily on our website at [virginmoney.com](http://virginmoney.com) They are also published in the Financial Times.

### What else do I need to know?

Before you decide whether to go ahead with your ISA or unit trust there are a few other things we need to tell you.

- If you are saving regularly for a particular purpose (e.g. to pay off the capital part of an interest only mortgage), you may not achieve your target if you do not keep up your payments.
- If you are transferring your ISA or unit trust to Virgin Money, we will not charge you for the transfer. However, your current provider may have an exit or transfer fee so please check with them before you make a decision.
- The Manager of the VUKITT is Virgin Money Unit Trust Managers Ltd, Discovery House, Whiting Road, Norwich NR4 6EJ. They pay Virgin Money Personal Financial Service Ltd a fee of £29 for marketing this ISA or unit trust to you. A fuller explanation is available on request.
- This Simplified Prospectus should tell you everything you need to know. If you have any further questions, please call us on 08456 10 20 30. If you are not sure whether this is the right product for you, please contact an Independent Financial Adviser.
- All communications from us in relation to the Fund will be in English.

# Virgin Climate Change Fund (VCCF)

An authorised unit trust registered in the United Kingdom on 7 December 2007.

## Investment information

### What are the investment objectives of the Virgin Climate Change Fund?

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

### What is the investment policy of the Fund?

The Fund will invest primarily in liquid listed European equities of issuers in all sectors to develop a portfolio of securities of companies which benefit either directly or via sustained competitive advantage from pursuing environmentally aware capitalism. For example, companies taking positive action on the corporate responsibility front by promoting environmentally aware behaviour internally, such as encouraging recycling in their workplaces, adopting a carbon emission offsetting program or recycling side products such as the reinjection of CO<sup>2</sup> in oil exploration.

The Fund may also invest in other transferable securities issued by such companies, collective investment schemes which invest mainly or predominantly in such companies, in government bonds and in cash and near cash. The Fund may use derivatives for efficient portfolio management purposes only.

### What are the risks of investing in this Fund?

There are some general risks of investing in equity based funds like the Virgin Climate Change Fund, and also some specific risks you should be aware of.

In general:

- The value of investments and the income they receive may fall and investors may get back less than they put in.
- Governments can change the tax relief available to individuals and funds.
- The value of any investment gains may be eroded over time by increases in the general level of prices, i.e. inflation.

In relation to the Virgin Climate Change Fund, investors may face these specific risks:

Type of risk	What this means
<b>Market risk</b>	Share, bond and gilt prices may go up and down, meaning you may get back less than you put in.
<b>Performance risk</b>	The Fund may not deliver its stated investment objective.
<b>Performance fee risk</b>	The Fund is an actively managed fund which incentivises the Manager to take risks to produce returns for investors and secure a performance fee payment. While efforts will be made to eliminate potential inequalities between unitholders through the performance fee calculation methodology, there may be occasions where a unitholder may pay a performance fee for which they have received no benefit.
<b>Foreign exchange risk</b>	As this Fund invests outside the UK, the value of your investments may be affected by changes in currency exchange rates.
<b>Credit risk</b>	Once we have paid for shares, bonds and gilts, the individual or organisation we bought them from could fail to hand them over.

Full details of these risks can also be found in the full prospectus, which is available on request.

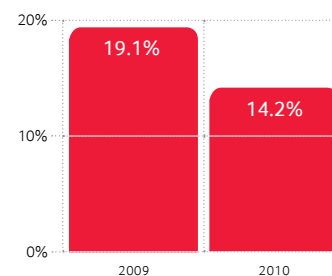
## How has the Fund performed so far?

The graphs below show how the Fund has performed since launch on 18 January 2008. Please note that the Virgin Climate Change Fund launched in 2008 in the face of an impending world recession and financial crisis that saw some of the most challenging market conditions for decades, which inevitably led to a disappointing first year. Past performance is not a guide to future performance.



Source: Morningstar Workstation. £1,000 single investment from 18.01.08 to 31.12.10. Bid to bid unit prices, basic rate tax with income reinvested. Please remember that stock markets can go up and down in value and your investment returns are not guaranteed.

Annual returns look like this:



Source: Morningstar Workstation, 31.12.08 to 31.12.10, Bid to bid prices, basic rate tax with income reinvested. Past performance is not a guide to the future. As the Virgin Climate Change Fund only launched on 18 Jan 2008, performance data does not yet exist for five complete 12 month periods.

## What sort of investor is the Fund designed for?

The Fund is aimed at investors who would like to grow their capital by potentially more than a stock market average, by investing in a wide range of mainly European companies that are delivering improved environmental performance, and who are comfortable investing a proportion of their money in actively managed investments.

Investors should be able to put their money away for five years or more and accept the possibility that they may not get back all of their original investment. Funds which invest in a smaller number of stocks carry more risk than funds spread across a larger number of companies, like index trackers, so they are not suitable as the core holding in an investor's portfolio.

## Tax and charges

### Tax

Taxation can have an impact in two different ways – on the Fund and on you as an individual taxpayer.

#### How does tax affect the Fund?

In the UK, unit trusts are liable to corporation tax, payable at the lower rate of income tax but are not liable to capital gains made on the disposal of investments, i.e. when shares are sold.

#### How does tax on my ISA affect me?

When investing through an ISA, there is no capital gains tax and no further income tax to pay. However, you will not be able to reclaim the 10% tax credit on the dividend distribution.

#### How does tax on my unit trust affect me?

If you are investing direct into a unit trust in the UK, there are two potential areas of taxation to consider – income tax and capital gains tax. Your liability to pay tax on your investment really depends on your personal circumstances and finances.

If you are at all unclear about your individual tax situation, or what any of the tax regulations mentioned below mean, you can get further advice from HM Revenue & Customs, or by seeking professional financial advice.

### Income Tax

On all dividend distributions of the Fund, we automatically deduct tax at 10% of the 'gross distribution'. However:

- ▶ If you are a higher rate taxpayer you will have further tax to pay. The further tax will be at 32.5% of the gross distribution, less a 10% credit for the tax already taken off the distribution.
- ▶ If you have an annual income over £150,000, you will be an 'additional rate taxpayer' and will have to pay further tax at 42.5% of the gross distribution, less a 10% credit for the tax already taken off the distribution.
- ▶ Basic rate taxpayers will have no further tax to pay.
- ▶ Non-taxpayers are not entitled to reclaim the 10% tax already taken off.

### Capital Gains Tax (CGT)

When you sell units (i.e. cash in some or all of your investment), if your capital gains for the tax year, from all sources, are greater than the annual CGT allowance, you may also be liable to CGT.

Gains are added to total income and the amount of tax you will pay on any capital gains, above your annual allowance, will depend on your individual tax position.

The above statements are based on the Manager's understanding of UK law and HM Revenue & Customs practice as at the date of this prospectus and considers the position of individual UK resident investors only. The future basis and rates of taxation may vary. Although every effort has been made to ensure its accuracy, no responsibility can be taken for the Manager's interpretation. If you are not sure about your individual tax position you should speak to a professional adviser.

#### What about tax if I am investing for a child?

If you are a parent who has opened a unit trust for your child, as long as they are under 18 and unmarried, any income up to £100 is classed as the child's and may be set against the child's personal tax allowance. Any income above £100 is taxed as if it was the parent's. The £100 applies to each parent individually, so gifts given separately mean that a child could receive up to £200 before tax is levied on the parents.

Tax credits on dividends from the Virgin Climate Change Fund cannot be repaid to non-tax payers.

If you are opening a unit trust for a child that you are not the parent of, all of the income is treated as the child's. Any capital gains made when the unit trust is cashed in are classed as the child's. Children have the same capital gains allowance as adults.

#### What about Stamp Duty?

Stamp Duty Reserve Tax (SDRT) is a tax levied by the Government. Just like you have to pay stamp duty when you buy a house, a fund manager has to pay SDRT when they buy certain investments. As fund manager we buy your investments back from you when you withdraw money from your fund, so we are subject to this tax, of up to 0.5% of the value of your units.

Our current policy is that all SDRT costs will be paid out of the fund. SDRT will not normally be recovered from unitholders, but we do reserve the right to require unitholders to pay SDRT when we consider circumstances have arisen which make that fair to all unitholders or potential unitholders.

#### How will charges and expenses affect my separate investment?

An annual management fee is charged by the Fund. It is currently 1.75%, calculated daily on the value of the unit trust and is deducted every day from income. Dealing costs for buying and selling investments in the underlying unit trust are reflected in the unit price as expenses of the Fund, so you are not charged for them as part of your 1.75% annual management fee.

Customer charges for buying and selling of units		
Initial charge on purchase of units		NIL
Exit fee on sale or fund switch of units		NIL
Annual operating expenses		
All European funds are required to show their Total Expense Ratio (TER). The TER gives investors a clearer idea of the total annual costs involved in running their fund and allows you to compare the annual operating costs of the Fund. It is made up of the Annual Management Charge, plus any additional expenses where charged to the customer, such as trustee fees, audit/legal fees and registration costs. It does not include charges for buying and selling units, if these apply.		
Annual Management Charge		1.75%
Performance Fee		0.57%
Additional Expenses		0.16%
Total Expense Ratio		2.48%
Performance fee		
The fifth performance period of the Fund commenced on 1 December 2009 and ended on the next Performance Period End Date of 30 May 2010. For that performance period, the Fund performance exceeded the benchmark and so a fee of £659.57 was charged to the Fund. The sixth performance period of the Fund started on 31 May 2010 and ended on 30 November 2010. For that performance period, the performance fee charged to the Fund was £349,694.79.		

When GLG (Fund Manager of the Virgin Climate Change Fund) buy or sell shares they use brokers who get paid a rate of commission. In addition to the normal broker services GLG receive, the brokers may also supply or pay for additional services, for instance company research which helps GLG in their stock analysis and selection. The broker receives no extra payment for these services and GLG only accepts such additional services if they are offered on a 'best execution'<sup>\*\*</sup> basis and are fully compliant with FSA regulations.

<sup>\*\*</sup>Best execution basis is the responsibility of the broker to provide the best price for customers.

#### Example of how the charges and expenses of the Virgin Climate Change Fund will affect your investment in an ISA

Their effect on an investment of £3,000, assuming growth of 7% a year, is set out below. The figures are not guaranteed and serve only to demonstrate the effect of charges and expenses on an investment.

At the end of year	Investment to date	Effect of deductions to date	What you might get back at 7%
1	£3,000	£78	£3,130
3	£3,000	£263	£3,410
5	£3,000	£490	£3,710
10	£3,000	£1,290	£4,600

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £1,290. Put another way, if the growth rate were to be 7%, which is in no way guaranteed, this would have the same effect as reducing it to 4.38% a year.

### Example of how the charges and expenses of the Virgin Climate Change Fund will affect your investment in a unit trust

Their effect on an investment of £3,000, assuming growth of 6% a year, is set out below. The figures are not guaranteed and serve only to demonstrate the effect of charges and expenses on an investment.

At the end of year	Investment to date	Effect of deductions to date	What you might get back at 6%
1	£3,000	£93	£3,080
3	£3,000	£272	£3,300
5	£3,000	£485	£3,520
10	£3,000	£1,200	£4,170

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £1,200. Put another way, if the growth rate were to be 6%, which is in no way guaranteed, this would have the same effect as reducing it to 3.40% a year.

### When will the performance fee be applicable?

A performance fee is charged when the Fund outperforms its agreed benchmark return of the Bank of England (BoE) base rate and its previous High Water Mark over a set six month period. The performance fee is 20% of the outperformance achieved.

The performance fee is calculated and accrued each day and included in the published unit price. It is then paid at the end of each half year and the benchmark is reset, unless units are withdrawn during the set six month period when the performance fee may become payable in relation to those units.

The 'High Water Mark' is set to ensure that the fee is only applicable if the Fund has beaten its previous high point. Examples of how the performance fee is applied (or not applied) can be found on pages 14 and 15. For further details of this please see the full prospectus.

### Portfolio Turnover Rate (PTR)

The PTR gives the percentage of the Fund that has changed during a year through it buying and selling assets. The more stocks and shares a fund buys and sells, the higher the PTR. This can mean higher costs to the Fund, or simply that the Fund is being managed in line with its investment objectives. The PTR was 994.65% from 1 October 2009 to 30 September 2010.

### Examples of when the performance fee may, or may not be applied

#### Example 1 - Performance fee not payable

**Assumptions** Unit price at beginning of 6 month period is 60p. Unit price six months later is 58p. Bank of England base rate throughout that time is 0.5%.

**Step 1: What is the increase in the unit price?** There is no increase (as the unit price decreased from 60p to 58p).

**Step 2: Has it beaten the High Water Mark?** No – because the High Water Mark for a unit recently purchased is its purchase price which was 60p.

**Step 3: Has it beaten the Bank of England base rate?** No, and as the unit has not beaten its High Water Mark of 60p no performance fee is therefore payable irrespective of how well the unit price has done against the Bank of England base rate.

**Step 4: Is a performance fee payable?** No – the Fund didn't beat the benchmark in this example so no performance fee would be payable.

**Step 5: What is the High Water Mark for future fee calculations?** As the Fund has not beaten its benchmark, the High Water Mark for this unit is reset to 60p. The Fund will not be charged a performance fee in the future until the unit price is higher than this and the Fund has beaten the Bank of England base rate as well.

#### Example 2 - Performance fee payable

**Assumptions** Unit price at beginning of 6 month period is 60p. Unit price six months later is 70p. Bank of England base rate throughout that time is 0.5%.

**Step 1: What is the increase in the unit price?** 10p (as the unit price increased from 60p to 70p).

**Step 2: Has it beaten the High Water Mark?** Yes – because the High Water Mark for a unit recently purchased is its purchase price which was 60p. So the Fund beat its High Water Mark by 10p.

**Step 3: Has it beaten the Bank of England base rate?** Yes – over six months the Fund could have earned 0.25% in a deposit account paying interest at the base rate (6 months at 0.5% = 0.25%). That would give a return of 0.15p on a deposit of 60p from the Bank of England base rate, against a return of 10p from the Fund. So the Fund beat the base rate by 9.85p.

**Step 4: Is a performance fee payable?** Yes – the Fund beat the benchmark in this example so a performance fee would be payable. The amount paid is 20% of the amount the Fund beat the base rate by. In this case that means the fee is 20% of 9.85p which is 1.97p.

**Step 5: What is the High Water Mark for future fee calculations?**

The High Water Mark is 70p. The Fund will not be charged a performance fee in the future until the unit price is higher than this and the Fund has beaten the Bank of England base rate again.

### Example 3 - Performance fee payable on units withdrawn during a six month performance period

**Assumptions** Unit price at beginning of 6 month period is 60p. Unit price when sold three months later is 65p. Bank of England base rate throughout that time is 0.5%.

**Step 1: What is the increase in the unit price?** 5p (as the unit price increased from 60p to 65p).

**Step 2: Has it beaten the High Water Mark?** Yes – because the High Water Mark for a unit recently purchased is its purchase price which was 60p. So the Fund beat its High Water Mark by 5p.

**Step 3: Has it beaten the Bank of England base rate?** Yes – over three months the Fund could have earned 0.125% in a deposit account paying interest at the base rate (3 months at 0.5% = 0.125%). That would give a return of 0.075p on a deposit of 60p from the Bank of England base rate, against a return of 5p from the Fund. So the Fund beat the base rate by 4.925p.

**Step 4: Is a performance fee payable?** Yes – the Fund beat its benchmark in this example so a performance fee would be payable. The amount paid is 20% of the amount the Fund beat the base rate by. In this case that means the fee is 20% of 4.925p which is 0.985p. This amount is paid to the Fund Manager within fourteen days of the date the units were sold.

**Step 5: What is the High Water Mark for future fee calculations?** There is no High Water Mark to carry forward as the units have been withdrawn by the customer so they can't be counted for future fee calculations.

### Example 4 - Performance fee not payable on units withdrawn during a six month performance period

**Assumptions** Unit price at beginning of 6 month period is 60p. Unit price when sold three months later is 58p. Bank of England base rate throughout that time is 0.5%.

**Step 1: What is the increase in the unit price?** There is no increase (as the unit price fell from 60p to 58p).

**Step 2: Has it beaten the High Water Mark?** No – because the High Water Mark for a unit recently purchased is its purchase price which was 60p.

**Step 3: Has it beaten the Bank of England base rate?** No, and as the unit has not beaten its High Water Mark of 60p no performance fee is therefore payable irrespective of how well the unit price has done against the Bank of England base rate.

**Step 4: Is a performance fee payable?** No – the Fund did not beat the benchmark in this example so a performance fee would not be payable.

**Step 5: What is the High Water Mark for future fee calculations?** There is no High Water Mark to carry forward as the units have been withdrawn by the customer so they can't be counted for future fee calculations.

## Further information

### How can I buy units?

You can buy units by sending a completed application form. If you are setting up your investment over the phone or online, your first payment can be made by direct debit or debit card. If you are sending in a postal application your first payment can be made by cheque or direct debit. Top-up payments can be made by cheque, direct debit or debit card. Cash or credit cards will not be accepted.

Please note that a unit trust in joint names can only be set up by postal application.

We will buy units for you the same business day we receive investment or, if we receive it after 5pm, we will buy the units the next business day.

### How can I sell units?

You may withdraw some or all of your money at any time by writing to us. If you have an ISA you can also withdraw by telephone and online service using your security details. If you have a unit trust held in a single name you can also withdraw by telephone using your security details.

You can make a withdrawal at any time but new payments (money you have recently paid in) must remain in your account until they have cleared, which takes 10 business days. Units will be sold on the day we receive your instruction (for instructions received after 5pm, the next business day will count as day one). Payment will be made within one business day of your units being sold.

### Can I switch units to another fund?

Yes, you can switch some or all of your investment to another fund in our range. No charge is made for switching.

You can request a switch in writing or by sending a completed 'switch form' to the Manager. We will carry out the switch on the day we receive your instruction. Customers can also switch over the telephone or online (except for joint account holders).

### If I change my mind can I cancel my investment?

No. You can't cancel an investment in this Fund. However, you can withdraw your money at any time. Please remember though, if the stock market has gone down since you invested, you may get back less than you invested.

### How can I find out about unit prices?

The price of units is calculated every business day at 5pm. The unit prices are updated daily on our website at [virginmoney.com](http://virginmoney.com) They are also published in the Financial Times.

### What happens to the income from the Fund?

Investment income earned is reinvested and automatically reflected in the value of your units.

### What else do I need to know?

Before you decide whether to go ahead there are a few other things we need to tell you:

- › If you are saving regularly for a particular purpose (e.g. to pay off the capital part of an interest only mortgage), you may not achieve your target if you do not keep up your payments.
- › If you are transferring your ISA or unit trust to Virgin Money, we won't charge you for the transfer. However, your current provider may have an exit or transfer fee so please check with them before you make a decision.
- › The Manager of the VCCF is Virgin Money Unit Trust Managers Ltd, Discovery House, Whiting Road, Norwich NR4 6EJ. They pay Virgin Money Personal Financial Service Ltd a fee of £29 for marketing this ISA or unit trust to you. A fuller explanation is available on request.
- › This Simplified Prospectus should tell you everything you need to know. If you have any further questions, please call us on 08456 10 20 30. If you're not sure whether this is the right product for you, please contact an Independent Financial Adviser.
- › All communications from us in relation to the Fund will be in English.

# Virgin Income Trust (VIT)

An authorised unit trust established in the United Kingdom on 21 September 1995.

## Investment information

### What are the investment objectives of the Virgin Income Trust?

The investment objective of the Trust, by investing in a broad range of corporate bonds and gilts, is to achieve a level of income slightly above that which would be achieved by a fund invested in gilts alone.

### What is the investment approach of the Trust?

The Fund invests 50% in low risk gilts – UK Government backed loans which pay a fixed rate of interest.

The other 50% is invested in highly rated corporate bonds issued by some of the top UK and European companies.

The bonds and gilts we invest in are generally in the 5 to 15 year range. We aim to hold only 'A' rated bonds or gilts – however they can be held in the range from 'AAA' to 'A-', this rating shows the issuer's capacity to meet financial commitments. If the investment is rated by both Moody's and Standard & Poor's, we take the average of both.

Behind the scenes an investment type known as futures contracts may at times be used to manage the pool of investors' money before it is invested in gilts and bonds. This would only happen for the purposes of efficient fund management, and no trading or speculation in these investments is undertaken.

### What are the risks of investing in this Fund?

There are some general risks of investing in income funds like the Virgin Income Trust, and also some specific risks you should be aware of.

In general:

- › The value of investments and the income they receive may fall and investors may get back less than they put in.
- › Governments can change the tax relief available to individuals and funds.
- › The value of any investment gains may be eroded over time by increases in the general level of prices, i.e. inflation.

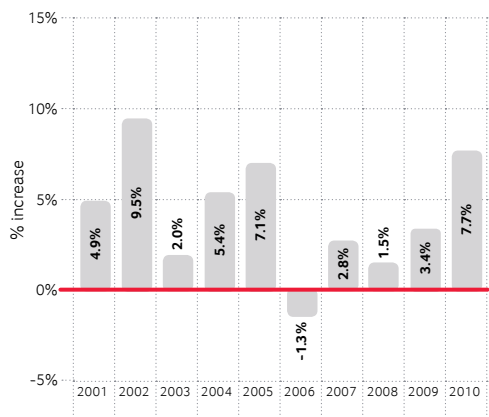
In relation to the Virgin Income Trust, investors may face these specific risks:

Type of risk	What this means
Market risk	Bond and gilt prices go up and down, meaning you may get back less than you put in.
Credit risk	Once we have paid for bond and gilts, the individual or organisation we have bought them from could fail to hand them over.
Performance risk	The Fund may not deliver its stated investment objective.

Full details of these risks can also be found in the full prospectus, which is available on request.

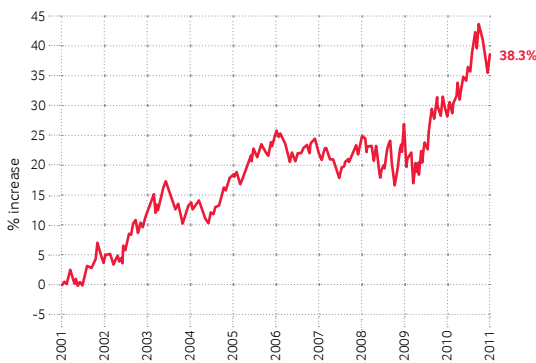
### How has the Fund performed in the past?

The graph below shows how the Fund has performed in each of the last ten years. Remember, this historical performance is not an indicator of future performance.



Source: Morningstar Workstation. £1,000 single investment from 31.12.00 to 31.12.10. Bid to bid unit prices, basic rate tax with income reinvested.

### How has the Fund performed in the last 10 years?



Source: Morningstar Workstation. £1,000 single investment from 31.12.00 to 31.12.10. Bid to bid unit prices, basic rate tax with income reinvested. Please remember that stock markets can go up and down in value and your investment returns are not guaranteed.

### What sort of investor is the Fund designed for?

The Fund is aimed at investors who are looking for a steady stream of interest which can be taken as an income or reinvested for capital growth. You need to be able to tuck your money away for five years or more, and there are no guarantees you will get back your original investment.

## Tax and charges

### Tax

Taxation can have an impact in two different ways – on the Fund and on you as an individual taxpayer.

#### How does tax affect the Fund?

In the UK, unit trusts are liable to corporation tax, payable at the lower rate of income tax, but are not liable to capital gains made on the disposal of investments, i.e. when bonds are sold.

#### How does tax on my ISA affect me?

When investing through an ISA, there is no personal income tax or capital gains tax to pay.

#### How does tax on my unit trust affect me?

If you are investing direct into a unit trust in the UK, there are two potential areas of taxation to consider – income tax and capital gains tax. Your liability to pay tax on your investment really depends on your personal circumstances and finances. If you are at all unclear about your individual tax situation, or what any of the tax regulations mentioned below mean, you can get further advice from HM Revenue & Customs, or by seeking professional financial advice.

### Income Tax

On all dividend distributions of the Fund, we automatically deduct 20% income tax from the 'gross distribution'.

However:

- If you are a higher rate taxpayer you will have further tax to pay. The further tax will be at 40% of the gross distribution, less a 20% credit for the tax already taken off the distribution.
- If you are an additional rate taxpayer you will have further tax to pay. The further tax will be at 50% of the gross distribution, less a 20% credit for the tax already taken off the distribution.
- Basic rate taxpayers will have no further tax to pay.
- Non-taxpayers are entitled to reclaim this 20% tax and some non-UK residents may be entitled to register to receive payments of gross income (that is, without tax being deducted at source).

### Capital Gains Tax (CGT)

When you sell units (i.e. cash in some or all of your investment), if your capital gains for the tax year, from all sources, are greater than the annual CGT allowance, you may also be liable to CGT.

Gains are added to total income and the amount of tax you will pay on any capital gains, above your annual allowance, will depend on your individual tax position.

The above statements are based on the Manager's understanding of UK law and HM Revenue & Customs practice as at the date of this prospectus. The future basis and rates of taxation may vary. Although every effort has been made to ensure its accuracy, no responsibility can be taken for the Manager's interpretation. If you are not sure about your individual tax position you should speak to a professional adviser.

### What about tax if I am investing for a child?

If you are a parent who has opened a unit trust for your child, as long as they are under 18 and unmarried, any income up to £100 is classed as the child's and may be set against the child's personal tax allowance. Any income above £100 is taxed as if it was the parent's. The £100 applies to each parent individually so gifts given separately mean that a child could receive up to £200 before tax is levied on the parents.

If you are opening a unit trust for a child that you are not the parent of, all of the income is treated as the child's. Any capital gains made when the unit trust is cashed in are classed as the child's. Children have the same capital gains allowance as adults.

### What about stamp duty?

No stamp duty is payable on this unit trust as the underlying gilts and bonds are themselves exempt from stamp duty taxes.

### How will charges and expenses affect my investment?

An annual management fee is charged by the VIT. It is currently 1%, calculated daily on the value of the unit trust and is deducted every day from income.

Dealing costs for buying and selling investments in the underlying unit trust are reflected in the unit price, so you are not charged for them as part of your 1% annual management fee.

<b>Customer charges for buying and selling of units</b>	
Initial charge on purchase of units	NIL
Exit fee on sale or fund switch of units	NIL
<b>Annual operating expenses</b>	
All European funds are required to show their Total Expense Ratio (TER). The TER gives investors a clearer idea of the total annual costs involved in running their fund and allows you to compare the annual operating costs of the fund. It is made up of the Annual Management Charge, plus any additional expenses where charged to the customer, such as trustee fees, audit/legal fees and registration costs. It does not include charges for buying and selling units, if these apply.	
Annual Management Charge	1%
Additional Expenses	NIL
Total Expense Ratio	1%

### Example of how the charges and expenses of the Virgin Income Trust will affect your investment in an ISA

Their effect on an investment of £3,000, assuming growth of 7% a year, is set out below. The figures are not guaranteed and serve only to demonstrate the effect of charges and expenses on an investment.

At the end of year	Investment to date	Effect of deductions to date	What you might get back at 7%
1	£3,000	£31	£3,170
3	£3,000	£108	£3,560
5	£3,000	£205	£4,000
10	£3,000	£561	£5,330

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £561. Put another way, if the growth rate were to be 7%, which is in no way guaranteed, this would have the same effect as reducing it to 5.9% a year.

### Example of how the charges and expenses of the Virgin Income Trust will affect your investment in a unit trust

Their effect on an investment of £3,000, assuming growth of 6% a year, is set out below. The figures are not guaranteed and serve only to demonstrate the effect of charges and expenses on an investment.

At the end of year	Investment to date	Effect of deductions to date	What you might get back at 6%
1	£3,000	£31	£3,140
3	£3,000	£108	£3,460
5	£3,000	£205	£3,810
10	£3,000	£561	£4,860

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £561. Put another way, if the growth rate were to be 6%, which is in no way guaranteed, this would have the same effect as reducing it to 4.9% a year.

### Portfolio Turnover Rate (PTR)

The PTR gives the percentage of the fund that changed during a year through it buying and selling assets. The more stocks and shares a fund buys and sells, the higher the PTR.

This can mean higher costs to the fund, or simply that the fund is being managed in line with its investment objectives. The PTR was 91.16% from 1 January 2010 to 31 December 2010.

## Further information

### How can I buy units?

You can buy units by sending a completed application form. If you are setting up your investment over the phone or online, your first payment can be made by direct debit or debit card. If you are sending in a postal application your first payment can be made by cheque or direct debit. Top-up payments can be made by cheque, direct debit or debit card. Cash or credit cards will not be accepted.

Please note that a unit trust in joint names can only be set up by postal application.

We will buy units for you on the same business day we receive your investment, or if we receive it after 5pm, we will buy units the next business day.

### How can I sell units?

You may withdraw some or all of your money at any time by writing to us. If you have an ISA you can also withdraw by telephone and online service using your security details. If you have a unit trust held in a single name you can also withdraw by telephone using your security details.

You can make a withdrawal at any time, but new payments (money you have recently paid in) must remain in your account until they have cleared, which takes 10 business days. Units will be sold on the day we receive your instruction (for instructions received after 5pm, the next business day will count as day one). Payment will be made within one business day of your units being sold.

### Can I switch units to another fund?

Yes, you can switch some or all of your investment to another fund in our range. No charge is made for switching.

You can request a switch in writing or by sending a completed 'switch form' to the Manager. We will carry out the switch on the day we receive your instruction. Customers can also switch over the telephone or online (except for joint account holders).

### If I change my mind can I cancel my investment?

No, you can't cancel an investment in this Fund. However, you can withdraw your money at anytime. Please remember though, if the value of the Fund's investments have gone down since you invested, you may get back less than you invested.

### How is income paid out?

The income you earn from the Fund's investments (after deducting our expenses) is distributed to investors twice a year. If you hold units on 1 April, your income will be distributed on or before 1 June. If you hold units on 1 October, your income will be distributed on or before 1 December.

Income is credited to your bank account – alternatively, you can choose to have the income re-invested for growth.

### Where can I get details of the latest yield?

If you would like to know the most up-to-date yield please call us on 08456 10 20 30.

### How can I find out the unit prices?

The price of units is calculated every business day at 5pm. The unit prices are updated daily on our website at [virginmoney.com](http://virginmoney.com) They are also published in the Financial Times.

### What else do I need to know?

Before you decide whether to go ahead with your ISA or unit trust, there are a few other things we need to tell you:

- If you are saving regularly for a particular purpose (e.g. to pay off the capital part of an interest only mortgage), you may not achieve your target if you do not keep up your payments.
- If you are transferring your ISA or unit trust to Virgin Money, we won't charge you for the transfer. However, your current provider may have an exit or transfer fee so please check with them before you make a decision.
- The Manager of the VIT is Virgin Money Unit Trust Managers Ltd, Discovery House, Whiting Road, Norwich NR4 6EJ. They pay Virgin Money Personal Financial Service Ltd a fee of £29 for marketing this ISA or unit trust to you. A fuller explanation is available on request.
- This Simplified Prospectus should tell you everything you need to know. If you have any further questions, please call us on 08456 10 20 30. If you are not sure whether this is the right product for you, please contact an Independent Financial Adviser.
- All communications from us in relation to the Fund will be in English.