

Simplified Prospectus

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

19 June 2009



Virgin Money Unit Trust Managers Ltd

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

Registered in England no. 3000482.

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is authorised and regulated by the Financial
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 June 2009.

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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

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 Index⁴ 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:

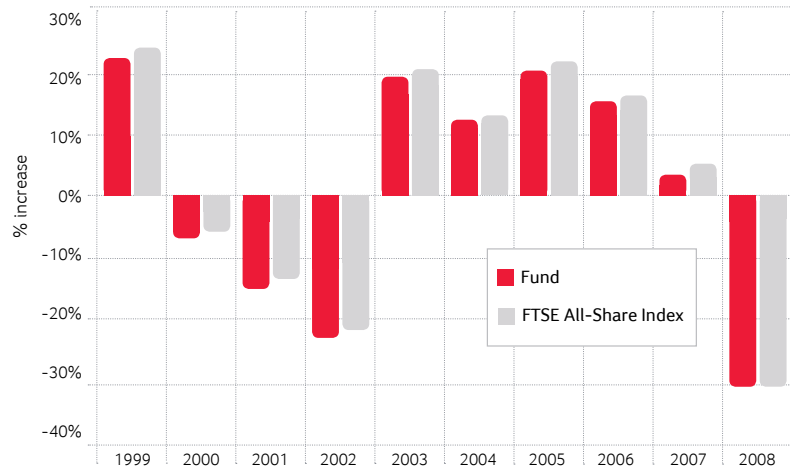
Type of risk	What this means
Market risk	Share prices go up and down, meaning you may get back less than you put in.
Company/sector risk	Although the All-Share Index spreads your risk by investing in hundreds of companies in various sectors and industries, some of those companies and/or sectors can grow 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.

⁴The Virgin UK Index Tracking Trust is not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ('FTSE') or by the London Stock Exchange Plc (the 'Exchange') or by the Financial Times Limited ('FT') and neither FTSE nor Exchange nor FT makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE All-Share Index ('the Index') and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FTSE. However, neither FTSE nor Exchange nor FT shall be liable (whether in negligence or otherwise) to any person for any error in the Index and neither FTSE or Exchange or FT shall be under any obligation to advise any person of any error therein.

'FTSE®', 'FT-SE®' and 'Footsie®' are trade marks of the London Stock Exchange Plc and The Financial Times Limited and are used by FTSE International Limited under licence. 'All-World', 'All-Share' and 'All-Small' are trade marks of FTSE International Limited.

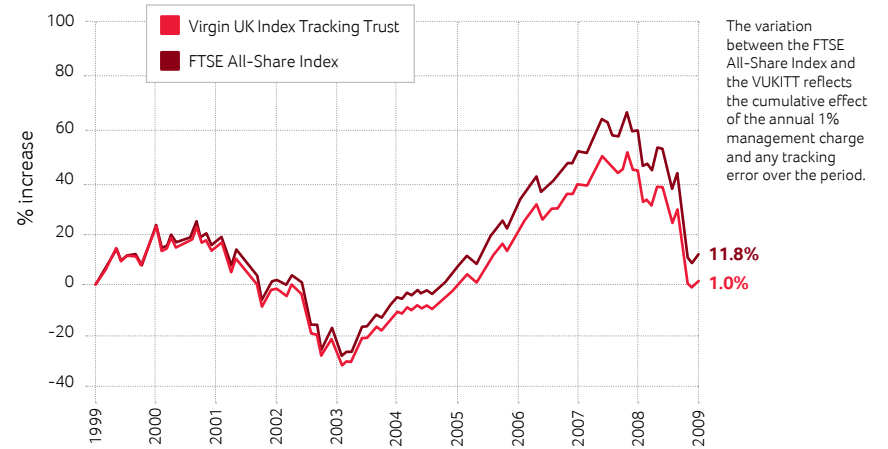
How has the Fund performed in the past compared to the FTSE All-Share Index?

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 December 1998 to 31 December 2008. Buying to selling 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 December 1998 to 31 December 2008. Buying to selling 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 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 will 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. (This equates to 25% of the net distribution.)
- Taxpayers other than higher 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.

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%
Additional Expenses	NIL
Total Expense Ratio	1%

Example of how charges and expenses 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 charges and expenses 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 -5% from 1 January 2008 to 31 December 2008.

Buy and selling units

Further information

How can I buy units?

You can buy units by sending a completed application form. Your first payment must be made by cheque, unless you are setting up an ISA over the phone or internet, where your first payment can be made by debit card (Maestro, Delta or Solo). You can then make single top-up payments by cheque or debit card. Or you can set up regular monthly savings by direct debit.

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 units at any time by sending us your written instructions. If you are investing in an ISA you can also withdraw by telephone, or online service 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 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 £51 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 CO₂ 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.

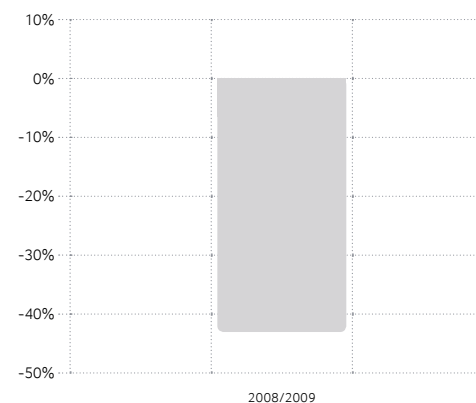
In relation to the Virgin Climate Change Fund, investors may face these specific risks:

Type of risk	What this means
Market risk	Share, bond and gilt prices may go up and down, meaning you may get back less than you put in.
Performance risk	The Fund may not deliver its stated investment objective.
Performance fee risk	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.
Foreign exchange risk	As this Fund invests outside the UK, the value of your investments may be affected by changes in currency exchange rates.
Credit risk	Once we have paid for shares, bonds and gilts, the individual or organisation we bought them from could fail to hand them over.

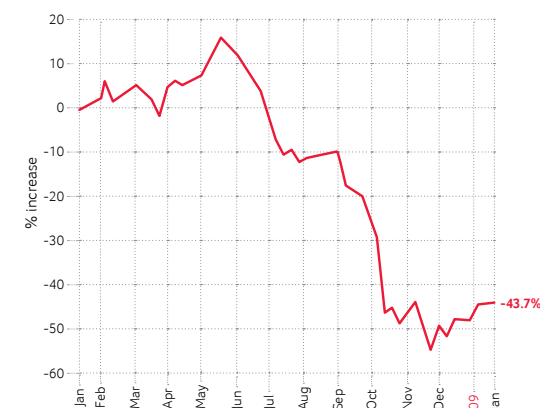
Full details of these risks can also be found in the full prospectus.

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 January 2008 to 16 January 2009. Buying to selling unit prices, basic rate tax with income reinvested.



Source: Morningstar Workstation. £1,000 single investment from 18 January 2008 to 16 January 2009. Buying to selling 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 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. (This equates to 25% of the net distribution.)
- ▶ Taxpayers other than higher 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		1.66%
Additional Expenses		0.27%
Total Expense Ratio		3.68%
Performance fee		
The initial performance period of the Fund commenced at the close of the Initial Offer Period on 18 January 2008 and ended on the next Performance Period End Date of 30 May 2008. For that initial performance period, the Fund performance exceeded the benchmark and so a fee of £358,269 was charged to the Fund. The second performance period of the Fund started on 31 May 2008 and ended on 30 November 2008. For that performance period, the performance fee charged to the Fund was £2,265.		

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' basis and are fully compliant with FSA regulations.

Example of how charges and expenses 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	£116	£3,090
3	£3,000	£384	£3,290
5	£3,000	£708	£3,490
10	£3,000	£1,819	£4,080

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £1,819. 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 3.13% a year.

Example of how charges and expenses 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	£130	£3,040
3	£3,000	£390	£3,180
5	£3,000	£692	£3,320
10	£3,000	£1,675	£3,690

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £1,675. 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 2.16% 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 1147% from 17 January 2008 to 16 January 2009.

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 0.50%.

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 0.50% = 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 0.50%.

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. So the Fund beat its High Water Mark by 2p.

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.

Buying and selling units

Further information

How can I buy units?

ISAs can be set up by sending in a postal application, with your first payment made by cheque or direct debit. Or you can set up your ISA over the phone or online, where your first payment can be made by debit card or direct debit. You can make postal, phone or online top-ups by cheque or debit card.

You can also transfer money into this Fund from an existing ISA by post.

Unit trusts in a single name can also be set up by post making payments by cheque or direct debit, or over the phone or online with payment by debit card or direct debit. You can make postal or phone top-ups by cheque or debit card.

Joint unit trusts in the name of more than one person must be set up by postal application, and payments made by cheque.

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?

For ISAs and unit trusts held in a single name you may withdraw some or all of your units either by telephone or online service, using your security details, or by sending us your written instructions in the post.

For joint unit trusts in the name of more than one person, you may withdraw some or all of your units by sending us your written instructions.

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 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 £51 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-'. 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:

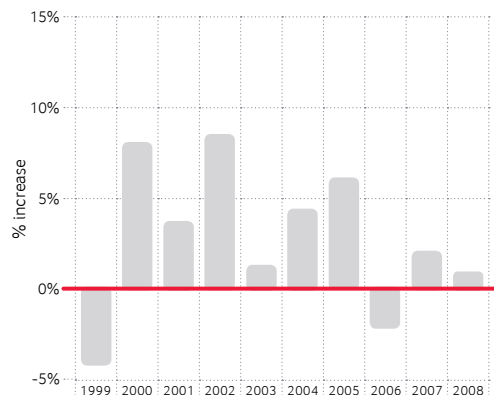
- › The value of investments and the income they receive may fall and investors may get back less than they put in.
- › Governments can change the tax relief available to individuals and funds.
- › The value of any investment gains may be eroded over time by increases in the general level of prices,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

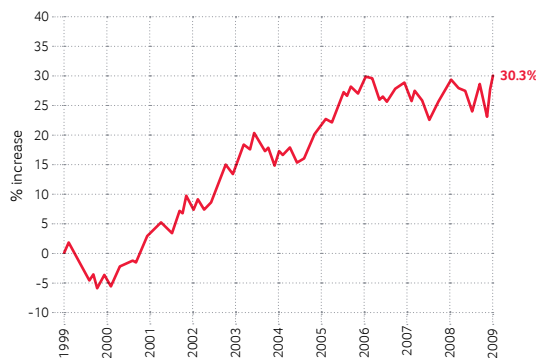
How has the Fund performed in the past?

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 December 1998 to 31 December 2008. Buying to selling 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 December 1998 to 31 December 2008. Buying to selling 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. (This equates to 25% of the net distribution.)
- Taxpayers other than higher 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.

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%
Additional Expenses	NIL
Total Expense Ratio	1%

Example of how charges and expenses 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 charges and expenses 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 27% from 1 January 2008 to 31 December 2008.

Buying and selling units

Further information

How can I buy units?

You can buy units by sending a completed application form. Your first payment must be made by cheque, unless you are setting up an ISA over the phone or internet, where your first payment can be made by debit card (Maestro, Delta or Solo). You can then make single top-up payments by cheque or one-off direct debit. Or you can set up regular monthly savings by direct debit.

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 units at any time by sending us your written instructions. If you are investing in an ISA you can also withdraw by telephone, or online service 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 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 £51 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 Stocks & Shares ISA Conditions

January 2010



Virgin Money Personal Financial Service Ltd

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

Registered in England no. 3072766.

Virgin Money Personal Financial Service Ltd
is authorised and regulated by the Financial
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 2010.

ISA51_01.10_2010005

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virginmoney.com



Please make sure you read these Conditions as they contain information you need to know

This agreement is governed by the Individual Savings Account Regulations 1998 (the regulations) as amended from time to time and any other applicable regulations and laws.

Virgin ISA literature and these Conditions are based on our understanding of relevant current law and HM Revenue & Customs practice. Our literature will be updated from time to time.

Following the reclassification of PEPs to ISAs and the removal of the terms Maxi and Mini from ISAs on 6 April 2008, the words 'Virgin Stocks & Shares ISA' in these conditions also refer to 'Virgin Stocks & Shares ISA (Ex-Mini)' and 'Virgin Stocks & Shares ISA (Ex-PEP)'.

References to we, us or our in these Conditions mean Virgin Money Personal Financial Service Limited or, in the case of an (Ex-PEP) Stocks & Shares ISA, Virgin Money Unit Trust Managers Limited. Business day means Monday to Friday, excluding bank holidays. Units means units in the relevant authorised unit trust in which your ISA invests.

For the purposes of Financial Services Authority regulations we assume you are a retail client. For further details, see paragraph 62.

Appointment

- 1a You appoint Virgin Money Personal Financial Service Ltd as your Stocks & Shares ISA manager.
- 1b If you applied for a Virgin ISA before 6 April 2008 you appointed Virgin Money Personal Financial Service Ltd as your Stocks & Shares ISA manager.
- 1c If you applied for a Virgin PEP before 6 April 2008 you appointed Virgin Money Unit Trust Managers Ltd as your Stocks & Shares ISA manager.

Commencement

- 2 Your Stocks & Shares ISA will be set up after we receive your correctly completed application or instructions, and initial subscription, or when all our requirements have been met, if later. We do, however, have the right to refuse your application.
- 3 No interest will be earned on any money we are unable to invest or have to return to you (for example, as a result of an incomplete application).
- 4 If you send us an application for any new tax year before the end of the current tax year, your money will be banked until the start of the new tax year, earning no interest. When the new tax year begins, we will invest your money into your Stocks & Shares ISA.

Cancellation

- 5 There is no cancellation period as you can't cancel our Stocks & Shares ISA. Nor, if you are transferring all or part of a Cash ISA into your Stocks & Shares ISA, is there any cancellation period. However, once your Stocks and Shares ISA is set up, you can withdraw your savings any time.

Payment

- 6 If you are setting your ISA up over the phone or online, your first payment can be made by direct debit or debit card (Maestro, Delta or Solo). If you are sending in a postal application your first ISA payment can be made by cheque or direct debit. Top-up payments can be made by cheque payable to Virgin Money Personal Financial Service Ltd, direct debit or debit card. Cash or credit cards will not be accepted.
- 7 By signing the application form when you open your Stocks & Shares ISA, you agree that any payments into your ISA will buy investments for you. We will purchase investments for your Stocks & Shares ISA, even if your payment has not cleared.

If your initial or top-up payment is made by cheque or direct debit and such items are returned unpaid (or, if you pay by debit card and it is not authorised), you will be in default of your agreement with us and your application will be returned. In this situation we would be forced to sell your investments to cover the

amount we invested on your behalf and you will be liable to us for any shortfall between the proceeds of sale and the amount we invested on your behalf.

- 8 Any direct debit we receive marked 'return to payer' will not be re-presented. We will write to you to see what you want us to do next in these circumstances.
- 9 In the current tax year you can invest up to £7,200 (£10,200 if you were born on or before 5 April 1960). You can either invest it all in a Stocks & Shares ISA, or invest up to £3,600 in a Cash ISA (£5,100 if you were born on or before 5 April 1960), with the remainder in a Stocks & Shares ISA. The higher allowance will apply for everyone from 6 April 2010.
- 10 The minimum you can pay into the Virgin Climate Change Fund by lump sum is an initial payment of £500, then £100 after that. The minimum you can pay in by monthly direct debit is £50. The minimum you can pay into our other funds is £1.

Where we invest your money

- 11 Payments into the Virgin Stocks & Shares ISA are invested in accordance with your application in units in one or more of the Virgin authorised unit trusts.

Withdrawals

- 12 You may withdraw some or all of your money at any time by sending us your written instructions. You can also withdraw money by telephone or online using your security details. The minimum withdrawal amount for ISA investments in the Virgin UK Index Tracking Trust or Virgin Income Trust is £1, or your total holding if less. For the Virgin Climate Change Fund it is £50, or your total holding if less. Payment will be made by cheque payable to you.
- 13 Telephone or online service requests received before 5pm will start to be processed the same business day, and if received after 5pm will be started the next business day. Withdrawals are only processed on business days.
- 14 Units will be sold on the business day we receive your instructions. Instructions received after 5pm will be started the following business day. We will send your payment the following business day. This applies to withdrawals (provided we receive everything we need to complete the transaction, including any outstanding verification information required).

- 15 You may write to us at any time and request we transfer your ISA to another ISA manager, and ask us to complete the transfer by a certain date. The transfer will be made by that date, subject to allowing us a reasonable period (not exceeding 30 days) for us to carry out your request. Once we have agreed the terms of your transfer with your new ISA manager, we will sell your units on that business day and will pay the proceeds to the new manager on the following business day.
- 16 Every six months just before what is known as the ex-dividend date, we work out the income earned by investments, which can then be passed on to you in the Virgin UK Index Tracking Trust and/or Virgin Income Trust. For the Virgin Climate Change Fund these distribution payments will always be reinvested and reflected in the unit price.

Any money you withdraw by selling units before an ex-dividend date won't qualify for investment income in the six months leading up to that ex-dividend date. The ex-dividend dates for the Virgin UK Index Tracking Trust are 16 March and 16 September. For the Virgin Income Trust they are 2 April and 2 October. For the Virgin Climate Change Fund they are 1 April and 1 October.

- 17 Payments into your ISA must be allowed to clear before you can make a withdrawal. This takes 10 business days.
- 18 Once you have withdrawn or transferred out all your money, there may be small amounts of dividend payments or interest which should be credited to you. These will be forwarded to you within six months of your withdrawal.
- 19 For the Virgin UK Index Tracking Trust and the Virgin Income Trust, if on any given day total withdrawals from the underlying unit trust are greater than total new business, the price at which we are able to sell investments in the trust will be different from the price at which we are able to buy them. In these circumstances the unit price applying to your withdrawal may, at our discretion, be that at which the trust's investments can be sold. This is called the 'cancellation price' of the units.

Payment on death

- 20 If you die the full value of your ISA will be paid to your estate. From the date of your death your ISA will no longer qualify for tax exemption under the regulations and your estate may be subject to inheritance tax.
- 21 Units in your ISA will have their tax-friendly status removed on receipt of your death certificate or its equivalent and will take effect from the date of death. The proceeds will then be paid to your legal personal representatives within one business day of receiving the Grant of Probate or appropriate legal confirmation.

Termination

- 22 We will notify you if, as a result of any failure to comply with the regulations, your ISA is or will become no longer exempt from tax.
- 23 We reserve the right to close any ISA which has a total value of less than £50 and to which no subscriptions have been made in the preceding 24 months.
- 24 We have the right to terminate your ISA after giving you 30 days written notice if we intend to stop acting as manager of your ISA, or as an ISA manager generally.
- 25 We are obliged to terminate your ISA immediately having given you written notice if we are of the opinion that it is impossible to administer it in accordance with the regulations or you notify us that you are no longer eligible to have an ISA.
- 26 Your ISA will only be terminated when all outstanding transactions have been satisfactorily completed.

Keeping you informed

- 27 We will send you confirmation of any payments, switches, transfers or withdrawals. These will be sent on the business day following us carrying out your instructions.
- 28 Twice a year on 1 February and 1 August we will produce a statement showing the value of your ISA at the current selling price and all transactions in the six months since your previous statement.
- 29 We will send notices and other correspondence to the address given in your application or any new address you tell us about.

- 30 There may be circumstances that require us to vary the terms of this agreement, such as a change to regulations, in which case we will write to you. The revised agreement will not come into effect until one month after notice of the change has been given to you.

Complaints

- 31 Virgin Money's complaint handling procedures are available on request.
- 32 If you feel there is cause to complain please write to us at **Virgin Money, PO Box 9522, Chelmsford CM99 2AB** or call us with full details. If we are unable to satisfy you, you can write to The Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR. This will not affect your right to take legal action.

Security

- 33 If you have set up online security details with us you must keep them secret. You must never write them down in a way that could be understood by someone else.
- 34 You must never disclose your online security details to anyone except to the limited extent required by us for security purposes.
- 35 You must call us immediately if you think someone else knows any of your security details.

General

- 36 To invest in a stocks & shares ISA, you must be 18 years old or over and resident (and ordinarily resident) in the UK or otherwise eligible (e.g. a Crown employee) according to the regulations. You cannot hold your ISA on behalf of someone else.
- 37 The most you can invest in ISAs each tax year is £7,200 (£10,200 if you were born on or before 5 April 1960). You can either invest it all in a Stocks & Shares ISA, or invest up to £3,600 in a Cash ISA (£5,100 if you were born on or before 5 April 1960), with the remainder in a Stocks & Shares ISA. The higher allowance will apply for everyone from 6 April 2010.
- 38 You authorise us to provide HM Revenue & Customs with all relevant information about your ISA and its investments.

- 39 At your request we will transfer the value of all or part of your ISA to another ISA manager without loss of tax relief in accordance with the regulations. If you only have current tax year subscriptions in your ISA, then the entire account must be transferred.

- 40 The administration of your ISA will be carried out by us or any other company appointed by us for this purpose subject to us being satisfied of their competence.

- 41 Virgin Money Personal Financial Service Limited and Virgin Unit Trust Managers Limited are regulated by the Financial Services Authority (25 The North Colonnade, Canary Wharf, London E14 5HS) in the conduct of their investment business, Financial Services Authority registered numbers 179271 & 171748 respectively.

- 42 You should send any notices or instructions to us at **Virgin Money, PO Box 9522, Chelmsford CM99 2AB**.

- 43 Our relationship with you and any contract between us is subject to English law. By taking out a Virgin ISA you agree to submit to the exclusive jurisdiction of courts in the United Kingdom if there is ever a dispute between us. This contract and all future communications will be written in English.

- 44 Our conflicts of interest policy details any potential conflicts of interest between Virgin Money and its customers, and between individual Virgin Money customers. An example of a conflict of interest would be where Virgin Money has a financial incentive to favour one customer over the interests of other customers.

The activities, culture and organisation of Virgin Money make the risk of detrimental conflicts of interest extremely low. However, should they arise, our policy requires any such conflict to be immediately disclosed to customers, and all necessary steps taken to minimise such risks. A copy of the full policy is available on request.

- 45 We are obliged under the Financial Services Authority regulations to consider various 'execution factors' in deciding how best to execute a client order. These include price, cost, speed, likelihood of execution and settlement, size, nature and other relevant matters.

As you are a retail client we will consider price to be the most important factor for you. However, in practice Virgin Unit Trust Managers Ltd is the only execution venue that we use to deal with your orders, as we do not believe that using third party 'trading platforms' to execute your orders would obtain the best outcome for you. By going directly to the operator, we can always be sure that units will be available to fulfil your orders.

We will only carry out instructions in line with this policy. By giving us instructions, you agree that you accept this best execution policy and give your consent to our executing orders outside regulated markets or multilateral trading facilities. Please note that if you ask us to carry out your instructions in a different manner, we may not be able to obtain the best possible result for you.

We will monitor the effectiveness of our order execution policy and implement any necessary changes if any when required notifying you of any material changes relevant to you.

- 46 We are obliged to inform you that we will not assess the suitability or appropriateness for you of any transactions carried out for you or services provided to you and you will not benefit from the Financial Services Authority's regulations on assessing suitability and appropriateness.

If you have any doubt on the suitability of this product you should seek independent financial advice.

Custody and voting

- 47 Our unit trusts are managed by Virgin Money Unit Trust Managers Ltd (VMUTM) and we buy and sell units with VMUTM on your behalf. Units are registered in the name of our nominee, Virgin Money Nominees Limited, but you remain the beneficial owner. Although you are the beneficial owner, we, or another party directed by us, will hold share certificates and other important information about your ISA investments on your behalf.
- 48 We retain full responsibility for all acts or omissions of Virgin Money Nominees Limited.
- 49 In the unlikely event of the insolvency of Virgin Money Nominees Limited, unitholders would have no obligations in respect of any liabilities of that company.

We would take over all functions carried out by them. There is no risk that your investment may not be separately identifiable from Virgin Money Nominees Limited's own investments as they do not make investments on their own behalf.

50 Your units are registered collectively in an omnibus account in the name of Virgin Money Nominees Limited and, although the amount of your holding is recorded and separately identified by us, your entitlement may not be identifiable by separate documents or certificates of title.

As a consequence, if Virgin Money Nominees Limited improperly fails to retain all of the assets entrusted to it, any shortfall in the securities registered in its name may be shared pro rata among all participants whose investments are so registered.

51 The steps we take to ensure protection of units held by Virgin Money Nominees Limited include regular reconciliation of individual customers units to the total nominee holding, compliance monitoring and external audits. See also paragraph 62 for details of the Financial Services Compensation Scheme.

52 You may not use your ISA as security for a loan although it may be used as a means of repaying a loan.

53 If you wish to attend unit holder meetings, vote at these meetings or receive unit trust information, including the unit trust report and accounts, please contact us.

Benefits

54 We will receive income from the Virgin UK Index Tracking Trust and the Virgin Income Trust. This income will be credited to your ISA if you are invested in these funds. There is no income from the Virgin Climate Change Fund.

55 You authorise us to reclaim any tax from HM Revenue & Customs and credit it to your ISA. Tax benefits depend on individual circumstances and may change.

56 From time to time there may be money we have received but not yet invested in your ISA (for instance a tax credit, or a cheque we have banked just prior to investment). Subject to the regulations this will be held in a client money bank account.

Liabilities

57 The value of your units can go down as well as up and this investment risk is yours. We are responsible for any loss incurred by you as a result of negligence, wilful default or fraud by us or our nominee. However, we are not liable for any indirect loss or losses we could not reasonably have foreseen, or for any loss or liability arising other than as a result of negligence, wilful default, fraud or breach of the regulations of the Financial Services Authority.

Unit pricing

58 There is one price quoted for the buying and selling of units. This price is calculated every business day by dividing the total value of the assets in the unit trust by the number of units in existence. For all three Virgin Unit Trusts, the unit price may be subject to some adjustment to take into account the dealing costs of buying and selling the underlying investments. For the Virgin Climate Change Fund this is known as a 'dilution levy'. Please see the full prospectus of each fund for further information. Unit prices can be found on our website virginmoney.com and are also published in the Financial Times.

59 When we buy or sell units for you they are pooled with those of other investors. The Financial Services Authority rules require us to tell you that this may result in a less favourable unit price than if your units had been bought or sold separately.

Switching your investment

60 We will sell units held in your ISA on the business day we receive your written instructions. On the same day they are sold we will use the proceeds to buy units in another unit trust of your choice within the Virgin ISA range. Instructions received after 5pm will be processed the following business day.

Minimum investment amounts on switching

61 The minimum you can switch into the Virgin Climate Change Fund is an initial payment of £500 then £100 after that. If you are already saving monthly in the fund, the minimum initial amount for paying in a lump sum drops to £100. For the Virgin UK Index Tracking Trust and Virgin Income Trust, the minimum amount you can switch into another fund is £1.

Compensation

62 For the purposes of Financial Services Authority regulations we have categorised you as a retail client, which should give you rights under the Financial Ombudsman Service. If you're not an eligible complainant you may not necessarily have the same rights.

63 Under the Financial Services and Markets Act 2000, if we can't meet any claim payment, you may get compensation under the Financial Services Compensation Scheme. Payments under the scheme are limited to 100% of the first £50,000. If you'd like more information, visit the Financial Services Compensation Scheme website at www.fscs.org.uk

Investing in the FTSE All-Share Tracker Fund

64 Your subscriptions will be credited to your Stocks & Shares ISA on the business day we receive them and will be used to buy units in the Virgin UK Index Tracking Trust on that day. Subscriptions received after 5pm will be processed the following business day.

65 Income will be treated as cleared funds and used to buy further units in the unit trust within 1 business day of receipt.

66 The only charge is a management fee in the Virgin UK Index Tracking Trust. This is 1% per annum of the value of the unit trust, calculated and deducted daily from the income of the trust.

Stock market investments can go down as well as up and there is no guarantee you will get back all you invest.

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Investing in the Virgin Climate Change Fund

67 Your subscriptions will be credited to your ISA on the business day we receive them and will be used to buy units in the Virgin Climate Change Fund on that day. Subscriptions received after 5pm will be processed the following business day.

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

69 The annual management fee in the Virgin Climate Change Fund is 1.75% per annum of the value of the unit trust, calculated and deducted daily from the Fund. There is also a 0.06% fee per annum to cover trustees, auditors, registration and legal expenses.

70 A performance fee may also apply if the fund outperforms agreed benchmarks. The performance fee is 20% of the out-performance achieved. For full details of the performance fee please see the 'Tax and Charges' section of the Simplified Prospectus for the Virgin Climate Change Fund.

Stock market investments can go down as well as up and there is no guarantee you will get back all you invest.

Investing in the Bond and Gilt Fund

71 Your subscriptions will be used to buy units in the Virgin Income Trust on the same business day we receive them. Though if we receive your instructions after 5pm we'll buy units for you the following day.

72 If you have chosen to have the income generated by your bonds and gilts reinvested, all income and tax reclaims will be treated as cleared funds and used to buy units in the Virgin Income Trust within 1 business day of receipt.

73 If you have chosen to have any income from your units paid to a bank or building society account held in your name, payments will be made on, or shortly before, 1 June and 1 December.

If you decide to stop or start receiving income payments, you must let us know at least two weeks in advance of the next payment date.

74 The annual management fee in the Virgin Income Trust is 1% per annum of the value of the unit trust, calculated and deducted daily from the Fund. Stock market investments can go down as well as up and there is no guarantee you will get back all you invest.

Investing in a stocks & shares ISA

75 There are no additional charges applied when investing through an ISA into any of our funds.

Transferring from a cash ISA

76 You can transfer all or part of any previous tax year's cash ISA into your stocks & shares ISA. If transferring from a current tax year cash ISA, the full tax year value must be transferred.