

Annual report and financial statements

Virgin Money Holdings (UK) Limited

For the year ended 30 September 2023

Company Number: 03087587

Virgin Money Holdings (UK) Limited

Annual report and financial statements For the year ended 30 September 2023

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Virgin Money Holdings (UK) Limited

Officers and professional advisers

Directors	David Duffy Clifford Abrahams
Secretary	Lorna McMillan
Registered office	Jubilee House Gosforth Newcastle upon Tyne NE3 4PL
Independent auditors	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX

Virgin Money Holdings (UK) Limited

Strategic report

The Directors of Virgin Money Holdings (UK) Limited (the Company) (previously known as Virgin Money Holdings (UK) PLC) present their Strategic report for the year ended 30 September 2023.

Principal activities and business structure

The Company is a wholly owned subsidiary of Clydesdale Bank PLC whose ultimate parent company is Virgin Money UK PLC. References in this Annual report and financial statements to 'Group' or 'Virgin Money' mean Virgin Money UK PLC and its subsidiaries.

The Company acts as an intermediate holding company.

The Company qualifies for the exemptions from preparing consolidated financial statements under Section 400 of the Companies Act 2006. These financial statements are therefore prepared on an individual company basis.

Financial analysis

The income statement for the year is set out on page 9. The Company made a profit before tax of £0.1m in the year, compared to a loss before tax of £0.1m in the prior year.

Non-interest income of £0.3m was recognised during the year compared to income of £0.4m for the year ended 30 September 2022, primarily due to the reduced intercompany recharges following the closure of Virgin Money Giving in November 2021. Operating and administrative expenses decreased by £0.5m to £0.2m driven by a decrease in Group recharges following the closure of Virgin Money Giving.

The Company's balance sheet is set out on page 11. The Company's total assets increased by £2.9m and total liabilities increased by £3.3m as at 30 September 2023, resulting in an overall net reduction in total equity of £0.4m.

Key performance indicators

The Directors do not rely on key performance indicators at the individual subsidiary level. The performance of the Company is included in the Group's Annual Report and Accounts. The business is managed within the Group and the results are consistent with the Company's status as a fully integrated and wholly owned subsidiary of the Group. For this reason, the Company's Directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the Company.

Stakeholder engagement and Board decision making (s.172 compliance)

Section 172(1) of the Companies Act 2006 requires directors to act in good faith and in a way that they consider most likely to promote the success of the Company for the benefit of its members as a whole.

As the Company is part of the wider Group, where matters impact other entities amongst the Group and have a wider application, stakeholder engagement is led by Virgin Money UK PLC. Further information on how the Group engages with its stakeholders can be found in the Strategic report within the Group's Annual Report and Accounts.

Every decision made by the Board considers in detail the impact on the Company's key stakeholders to ensure that the success of the Company is promoted over the long term for the benefit of the Group. In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the directors confirm that they have both engaged with and had regard to the interest of key stakeholders in their duties as directors of the Company.

Principal risks

The Company acts as an intermediate holding company and is exposed to a variety of risks through its normal operations. The Company's most significant risks are described below:

Financial risk: covers a number of risk categories, including capital risk, funding risk and liquidity risk. Financial risk is monitored on a regular basis and is supported by intercompany facilities and arrangements with the Company's parent entity.

Credit risk: the risk that a counterparty fails to pay the Company monies owed. The Company manages this risk by undertaking due diligence on prospective counterparties and monitoring their position on an ongoing basis.

Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. All key business processes are subject to periodic reviews on a risk prioritised basis by the Group's Risk and Internal Audit teams to ensure that appropriate controls are in place and operating effectively.

Compliance risk: the risk that the Company fails to comply with its regulatory and legislative requirements. Compliance risk is managed at a Group level and is mitigated through oversight by the Regulatory Management team and regular reporting to the Risk Committee.

Legal risk: the risk of legal sanction, material financial loss or loss of reputation that the Company may suffer as a result of its failure to comply with the law, inadequately document its contractual arrangements or inadequately assess and implement changes required by forthcoming legislation or emerging case law. The Group Legal function supports the Company in meeting its contractual obligations and assessing legal developments.

Strategic report (continued)

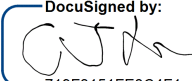
Principal risks (continued)

Economic crime risk: the risk that products and services will be used to facilitate financial crime, resulting in harm to customers, the Company or third parties. The Company is supported by the Group's established financial crime and fraud risk framework, with clearly defined policy statements, standards and risk appetite measures reported to the Executive Risk Committee and the Board.

Outlook

Over the next twelve months the Company will continue to support Virgin Money UK PLC, the Company's ultimate parent, in delivering its targets and executing its strategy.

The Strategic report was approved by the Board on 8 December 2023 and signed on its behalf by:

DocuSigned by:

719F3151FE3C4F1...
Clifford Abrahams
Director

11 December 2023

Virgin Money Holdings (UK) Limited

Directors' report

The Directors of the Company submit their report and financial statements for the year ended 30 September 2023.

Corporate governance

Details of the corporate governance framework applying to the Company are set out in the Corporate governance report within the Group's Annual Report and Accounts.

Profits and appropriations

The Company made a profit before tax for the year of £0.1m (2022: loss before tax of £0.1m). No dividends have been paid or declared in the current year or prior year.

Future developments and financial risk management objectives and policies

Information regarding future developments and financial risk management objectives and policies of the Company in relation to the use of financial instruments that would otherwise be required to be disclosed in the Directors' report, and which is incorporated into this report by reference, can be found in the Strategic report.

Directors and Directors' interests

The current Directors are shown on page 1. Directors who are not full-time employees of the Group or a related body corporate are appointed in accordance with the Articles of Association and may be eligible for reappointment thereafter.

Directors' interests

No Director had any interest in the shares of the Company or its subsidiaries at any time during the year.

Directors' liabilities

During the year, the Group paid a premium for a contract insuring the Directors and officers of the Group, its subsidiaries and controlled entities against personal liabilities which may arise in the course of the performance of their duties, as well as protecting the Company itself to the extent that it is obligated to indemnify Directors and officers for such liability.

Directors' remuneration

The Directors of the Company are remunerated as Directors of Clydesdale Bank PLC, and do not receive incremental remuneration in respect of their duties as Directors of the Company.

Stakeholder engagement and business relationships

Details of stakeholder engagement relevant to the Company are set out in the Strategic report above and within the Governance report within the Group's Annual Report and Accounts.

Employees

The Company does not have any employees. All staff are provided by the Group and its subsidiary undertakings, and an element of their cost is recharged to the Company through the Group recharges.

Political donations

No political donations were made during the year (2022: £Nil).

Research and development costs

The Company does not undertake formal research and development activities.

Management of risk

Risk and capital related disclosures for the Company are included within the Strategic report. The information contained within these disclosures has not been audited by the Company's external auditor.

Risk and capital related disclosures for the Group can be found in the Group's Pillar 3 Report, <https://www.virginmoneyukplc.com/investor-relations/results-and-reporting/annual-reports/> and also within the Risk report section of the Group's Annual Report and Accounts.

Related parties

Details of related party transactions are set out in note 5.2 of the financial statements.

Share capital

Information about share capital is shown in note 4.1 of the financial statements.

Directors' report (continued)**Going concern**

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for at least 12 months from the approval of the financial statements.

The Company's use of the going concern basis for preparation of the accounts is discussed in note 1.3 to the financial statements.

Events after the balance sheet date

There have been no significant events between 30 September 2023 and the date of approval of the financial statements which would require a change to or additional disclosure in the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they are required to prepare the financial statements in accordance with UK adopted International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard (IAS) 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance;
- state whether UK adopted IASs in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

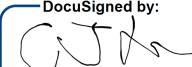
Auditors and disclosure of information to the auditors

In accordance with section 485 of the Companies Act 2006, a resolution to appoint PricewaterhouseCoopers LLP, and to authorise the Directors to agree their remuneration, will be proposed at the next Group Annual General Meeting.

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

DocuSigned by:

 719F3451FE8C4E1
Clifford Abrahams
 Director

11 December 2023

Virgin Money Holdings (UK) Limited

Independent Auditor's Report to the Members of Virgin Money Holdings (UK) Limited

Opinion

We have audited the financial statements of Virgin Money Holdings (UK) Limited for the year ended 30 September 2023 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Statement of cash flows and the related notes 1 to 5.3, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Virgin Money Holdings (UK) Limited

Independent Auditor's Report to the Members of Virgin Money Holdings (UK) Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, UK Tax Legislation as enforced by HM Revenue and Customs and International Accounting Standards.
- We understood how the Company is complying with those frameworks by making enquiries of management, and through discussions with those charged with governance. We also reviewed minutes of the Board and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.

Virgin Money Holdings (UK) Limited Independent Auditor's Report to the Members of Virgin Money Holdings (UK) Limited (continued)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override to be a fraud risk. We considered the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of key stakeholders.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of those charged with governance and management for their awareness of any non-compliance of laws and regulations by officers and employees, inquiring about the method of enforcing and monitoring compliance with such policies.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Blake Adlem (Senior Statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor, Edinburgh
12 December 2023

Virgin Money Holdings (UK) Limited**Income statement**

For the year ended 30 September

	Note	2023 £m	2022 £m
Non-interest income	2.1	0.3	0.4
Total operating and administrative expenses	2.2	<u>(0.2)</u>	<u>(0.5)</u>
Profit/(loss) on ordinary activities before tax		0.1	(0.1)
Tax expense	2.3	-	(2.5)
Profit/(loss) for the year attributable to equity holders		<u>0.1</u>	<u>(2.6)</u>

The notes on pages 14 to 20 form an integral part of these financial statements.

Virgin Money Holdings (UK) Limited

Statement of comprehensive income

For the year ended 30 September

	2023 £m	2022 £m
Profit/(loss) after tax for the year	<u>0.1</u>	<u>(2.6)</u>
Items that will not be reclassified to the income statement		
<i>Change in fair value through other comprehensive income reserve</i>		
Gains/(losses) during the year	<u>0.1</u>	<u>(0.3)</u>
Total comprehensive gains/(losses) for the year, net of tax, attributable to equity holders	<u><u>0.2</u></u>	<u><u>(2.9)</u></u>

The notes on pages 14 to 20 form an integral part of these financial statements.

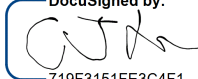
Virgin Money Holdings (UK) Limited

Balance sheet

As at 30 September	Note	2023 £m	2022 £m
Assets			
Cash and cash equivalents		-	4.2
Financial instruments at fair value through other comprehensive income	3.2	0.3	0.4
Investments in controlled entities and associates	3.1	17.0	17.0
Due from related entities	5.2	7.2	-
Total assets		24.5	21.6
Liabilities			
Due to related entities	5.2	3.0	-
Other liabilities		0.3	-
Total liabilities		3.3	-
Equity			
Share capital and share premium	4.1	-	1,135.9
Other reserves		-	(0.2)
Retained earnings		21.2	(1,114.1)
Total equity		21.2	21.6
Total liabilities and equity		24.5	21.6

The notes on pages 14 to 20 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 8 December 2023 and were signed on its behalf by:

DocuSigned by:

 719F3151FE3C4F1...
 Clifford Abrahams
 Director

Company name: Virgin Money Holdings (UK) Limited

Company number: 03087587

Virgin Money Holdings (UK) Limited

Statement of changes in equity

	Notes	Share capital and share premium £m	Fair value through other comprehensive income reserve £m	Retained earnings £m	Total equity £m
As at 1 October 2021		1,135.9	-	(1,110.9)	25.0
Loss for the year		-	-	(2.6)	(2.6)
Other comprehensive losses		-	(0.3)	-	(0.3)
Total comprehensive losses, net of tax		-	(0.3)	(2.6)	(2.9)
Settlement of share awards on vesting		-	0.1	(0.6)	(0.5)
As at 30 September 2022	4.1	1,135.9	(0.2)	(1,114.1)	21.6
Profit for the year		-	-	0.1	0.1
Other comprehensive gains/(losses)		-	0.1	-	0.1
Total comprehensive losses, net of tax		-	0.1	0.1	0.2
Cancellation of ordinary shares and share premium		(1,135.9)	-	1,135.9	-
Settlement of share awards on vesting		-	0.1	(0.7)	(0.6)
As at 30 September 2023	4.1	-	-	21.2	21.2

The notes on pages 14 to 20 form an integral part of these financial statements.

Virgin Money Holdings (UK) Limited

Statement of cash flows

For the year ended 30 September

	Notes	2023 £m	2022 £m
Operating activities			
Profit/(loss) on ordinary activities before tax		0.1	(0.1)
<i>Adjustments for:</i>			
Non-cash or non-operating items included in profit/(loss) before tax	5.1	(0.1)	-
Changes in operating assets	5.1	(3.9)	0.1
Changes in operating liabilities	5.1	(0.3)	(0.4)
Net cash used in operating activities		<u>(4.2)</u>	<u>(0.4)</u>
Cash flows from investing activities			
Purchase of financial instruments at fair value through other comprehensive income		-	(1.0)
Net cash used in investing activities		<u>-</u>	<u>(1.0)</u>
Net decrease in cash and cash equivalents		(4.2)	(1.4)
Cash and cash equivalents at the beginning of the year		4.2	5.6
Cash and cash equivalents at the end of the year	5.1	<u>-</u>	<u>4.2</u>

The notes on pages 14 to 20 form an integral part of these financial statements.

Notes to the financial statements**Section 1: Basis of preparation and accounting policies****1.1 General information**

Virgin Money Holdings (UK) Limited is incorporated and registered in England and Wales. The Company is a wholly owned subsidiary of Clydesdale Bank PLC, a company incorporated and registered in Scotland.

The Company's ultimate parent is Virgin Money UK PLC, a company incorporated and registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by Clydesdale Bank PLC. Virgin Money UK PLC heads the largest group in which the results of the Company are consolidated. The consolidated financial statements of Virgin Money UK PLC may be obtained from its registered office at Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL. All references in the financial statements to 'the Group' refer to Virgin Money UK PLC and its subsidiaries, including the Company.

As permitted by section 400 of the Companies Act 2006 the Company has not prepared consolidated financial statements.

1.2 Basis of preparation

The financial statements, which should be read in conjunction with the Strategic report and the Directors' report, have been prepared in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006⁽¹⁾.

The financial information has been prepared under the historical cost convention. A summary of key accounting policies is set out in note 1.6.

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report on page 2.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and at least 12 months from the approval of the financial statements, and therefore believe that the Company is well placed to manage its business risks successfully in line with its business model and strategic aims. Accordingly, the Directors adopt the going concern basis in preparing the Annual report and financial statements.

1.4 Climate change

The potential impact of climate-related risks on the Company's financial position and performance has been considered in preparing the financial statements. This involved undertaking an assessment at a Group level over the assets (both financial and non-financial) and evaluating whether the observable effects of physical and transitional risk of climate change would have a material impact on the financial position and performance in the current year. It is widely understood and appreciated that the effects of climate change will not be significant in the short term and that the inherent risks and uncertainties in quantifying the effect of climate change in the financial statements are considerable and more likely to impact in the longer term.

1.5 Accounting standards, amendments and interpretations

There were no mandatory significant International Accounting Standards Board (IASB) pronouncements adopted by the Company in the current financial year. The IASB has also issued a number of minor amendments to IASs that are not mandatory for 30 September 2023 reporting periods and have not been early adopted by the Company. These amendments are not expected to have a material impact for the Company and have therefore not been listed.

During the year, the Company early adopted Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' which was issued by the IASB in February 2021 (applicable for accounting periods beginning on or after 1 January 2023 with early adoption permitted) and endorsed for use in the UK by the UKEB in November 2022.

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. As part of this, the IASB amended IFRS Practice Statement 2 'Making Materiality Judgements' by adding guidance to help determine when accounting policy information is material and, therefore, needs to be disclosed.

The Company has assessed the requirements of the amendments against those accounting policies included within the 2022 financial statements.

Consequently, the following material accounting policies have been applied in preparing these financial statements.

Notes to the financial statements

Section 1: Basis of preparation and accounting policies

1.6 Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Revenue recognition

Net interest income

Interest income is reflected in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating amortisation using the effective interest rate of a financial asset or financial liability. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the cash flows are estimated considering all contractual terms of the financial instrument (e.g. prepayment, call and similar options) excluding future credit losses. The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Where it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments) are used.

Gains less losses on financial instruments at fair value

This represents fair value gains and losses from derivatives and other financial instruments classified as fair value through profit or loss, where the change in fair value of the derivatives is recognised exclusive of interest income and expense arising on any such instruments economically hedging other interest bearing assets and liabilities.

Other operating income

Dividend income is recognised when the right to receive payment is established.

Financial instruments

Recognition and derecognition

A financial asset or a financial liability is recognised on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual cash flows from the asset expire or it transfers the right to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Financial liabilities are derecognised when the Company has discharged its obligation to the contract, or the contract is cancelled or expires.

Classification and measurement

The Company measures a financial asset or liability on initial recognition at its fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability (with the exception of financial assets or liabilities at fair value through profit or loss, where transaction costs are recognised directly in the income statement as they are incurred).

Financial assets

Subsequent accounting for a financial asset is determined by the classification of the asset depending on the underlying business model and contractual cash flow characteristics. This results in classification within one of the following categories i) amortised cost; ii) fair value through other comprehensive income; or iii) fair value through profit or loss.

A financial asset is measured at amortised cost when (i) the asset is held within a business model whose objective is achieved by collecting contractual cash flows; and (ii) the contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding. The amortised cost classification applies to the Company's cash and cash equivalents related party balances.

Financial liabilities

All financial liabilities are measured at amortised cost.

Offsetting

A financial asset and a financial liability shall be offset, and the net amount presented on the balance sheet if, and only if, the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IAS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses reported in these financial statements. Assumptions made at each balance sheet date are based on best estimates at that date and are reviewed by the Directors at each reporting date. Although the Company has internal control systems in place to ensure that estimates can be reliably measured, actual amounts may differ from those estimates. This is reviewed at each reporting date by the Directors.

Notes to the financial statements

Section 2: Results for the year

2.1 Non-interest income/(expense)

	2023 £m	2022 £m
Other operating income		
Other income	0.3	0.4
Non-interest income	<u>0.3</u>	<u>0.4</u>

2.2 Operating and administrative expenses

Expenses of £0.2m in the year (2022: £0.5m) have been recharged from other Group members. Refer to note 5.2.

	2023 £'000	2022 £'000
Auditor's remuneration		
Fees payable to the Company's auditors for the audit of the Company's accounts	<u>17</u>	<u>16</u>

Audit fees for the current year are included within other operating and administrative expenses.

2.3 Taxation

	2023 £m	2022 £m
Current tax		
Adjustment in respect of prior years	-	0.1
	-	0.1
Deferred tax		
Current year	-	0.5
Adjustment in respect of prior years	-	1.9
	-	2.4
Tax expense for the year	<u>-</u>	<u>2.5</u>

The tax assessed for the year differs from that arising from applying the standard rate of corporation tax in the UK of 22% (2022: 19%). 22% is the average standard rate for the full financial year, comprising 19% to 1 April 2023 then 25% to 30 September 2023. A reconciliation from the expense implied by the standard rate to the actual tax expense is as follows:

	2023 £m	2022 £m
Profit/(loss) on ordinary activities before tax	<u>0.1</u>	<u>(0.1)</u>
Tax expense based on the standard rate of corporation tax in the UK of 22% (2022: 19.0%)	-	-
<i>Effects of:</i>		
Disallowable expenses	-	-
Transfer pricing adjustments	-	-
Adjustment in respect of prior years	-	2.0
Deferred tax derecognised	-	0.5
Tax rate changes	-	-
Tax expense for the year	<u>-</u>	<u>2.5</u>

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. On 17 October 2022, the Chancellor of the Exchequer confirmed that, in line with the previously enacted legislation, the UK corporation tax rate will increase to 25% from 1 April 2023. This will increase the Company's future current tax charge accordingly.

The Company has an unrecognised deferred tax asset of £1.2m (2022: £1.6m) representing tax losses with a gross value of £4.7m (2022: £6.6m). Although there is no prescribed period after which losses expire, a deferred tax asset has not been recognised in respect of these losses as the Directors have insufficient certainty over their recoverability in the foreseeable future.

Notes to the financial statements

Section 3: Assets and liabilities

3.1 Investments in controlled entities and associates

				2023 £m	2022 £m
Investments in controlled entities and associates				<u>17.0</u>	<u>17.0</u>
Direct holdings	Nature of business	Class of share held	Proportion held	Country of incorporation	Financial year end
Virgin Money Limited	Dormant	Ordinary	100%	England	30 September
Virgin Money Personal Financial Service Limited	Insurance intermediary	Ordinary	100%	England	30 September
Virgin Money Management Services Limited	Non-trading company	Ordinary	100%	England	31 March
Virgin Money Giving Limited	Non-trading company	Ordinary	100%	England	31 March

The registered address for all of the above controlled entities is Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL.

Notes to the financial statements

Section 3: Assets and liabilities

3.2 Fair value of financial instruments

Analysis of the fair value disclosures uses a hierarchy that reflects the significance of inputs used in measuring fair value. The level in the fair value hierarchy within which a fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy is as follows:

- Level 1 fair value measurements - quoted prices (unadjusted) in active markets for an identical financial asset or liability;
- Level 2 fair value measurements - inputs other than quoted prices within Level 1 that are observable for the financial asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 fair value measurements - inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

For the purpose of reporting movements between levels of the fair value hierarchy, transfers are recognised at the beginning of the reporting period in which they occur.

(a) Fair value of financial instruments recognised on the balance sheet at amortised cost

The table below shows a comparison of the carrying amounts of financial assets and liabilities measured at amortised cost, as reported on the balance sheet, and their fair values.

There are various limitations inherent in this fair value disclosure particularly where prices are derived from unobservable inputs due to some financial instruments not being traded in an active market. The methodologies and assumptions used in the fair value estimates are therefore described in the notes to the tables. The difference between carrying value and fair value is relevant in a trading environment but is not relevant to assets such as loans and advances.

	2023					2022				
	Fair value measurement using:					Fair value measurement using:				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets										
Due from related entities	7.2	7.2	-	7.2	-	-	-	-	-	-
Financial liabilities										
Due to related entities	3.0	3.0	-	3.0	-	-	-	-	-	-

Cash and cash equivalents is no longer disclosed within the above table as cash and cash equivalents is inherently held at a carrying value equal to its fair value.

The fair values disclosed for financial instruments at amortised cost are based on the following methodologies and assumptions:

- *Due from related entities/due to related entities* – Fair value is deemed to approximate the carrying value.

(b) Fair value of financial instruments recognised on the balance sheet at fair value

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, using the fair value hierarchy described above.

	Fair value measurement at 2023				Fair value measurement at 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets								
Financial instruments at FVOCI	0.3	-	-	0.3	0.4	-	-	0.4
Total financial assets measured at fair value	0.3	-	-	0.3	0.4	-	-	0.4
Financial liabilities								
Other liabilities	0.3	-	-	0.3	-	-	-	-
Total financial liabilities measured at fair value	0.3	-	-	0.3	-	-	-	-

Notes to the financial statements

Section 4: Capital

4.1 Equity

4.1.1 Share capital and share premium

	2023 £m	2022 £m
Share capital	-	480.1
Share premium	-	655.8
Share capital and share premium	-	1,135.9

Allotted, called up and fully paid share capital

	2023 Number of shares	2022 Number of shares	2023 £	2022 £
Ordinary shares of £0.0001 each				
At 1 October	4,800,450,134,447	4,800,449,037,706	480,045,013	480,044,904
Issued during the year	944,005	1,096,741	95	109
Cancelled during the year	(4,800,451,078,451)	-	(480,045,108)	-
At 30 September	1	4,800,450,134,447	-	480,045,013
Deferred shares of £0.001 each				
At 1 October	10,052,161	10,052,161	10,052	10,052
Cancelled during the year	(10,052,161)	-	(10,052)	-
At 30 September	-	10,052,161	-	10,052

As permitted by the Companies Act 2006, the Company's Articles of Association do not contain any references to authorised share capital.

Ordinary shares totalling £95 (2022: £109) were issued to the Virgin Money Employee Benefit Trust throughout the year in order to satisfy share awards made to employees as they fall due.

Ordinary shares totalling £480,045,108 (2022: £Nil) and deferred shares totalling £10,052 (2022: £Nil) were cancelled during the year in order to simplify the Company's issued share capital.

No dividends have been paid or declared in the current year or prior year.

The following describes the rights attaching to each share class at 30 September 2023:

(a) Ordinary shares

The holders of ordinary shares are entitled to one vote per share at meetings of the Company. All ordinary shares in issue rank equally and carry the same voting rights and the same rights to receive dividends and other distributions declared or paid by the Company. The shares represented 100% of the total share capital at 30 September 2023 (2022: 100%).

There are no restrictions on the transfer of ordinary shares in the Company at 30 September 2023.

(b) Deferred shares

As set out in the Articles of Association (and pursuant to the provisions of the Companies Act in respect of shares held in own shares), the deferred shares had no voting or dividend rights and, on a return of capital on a winding up, had no valuable economic rights.

The deferred shares were held in treasury. This was to ensure that the aggregate nominal value of the Company's share capital will be not less than £50,000, which is the minimum level of nominal share capital required by the Companies Act for a company to be established as a public limited company. The shares represented 0.0% of the total share capital at 30 September 2023 (2022: 0.0%).

A description of the other equity reserves category included within the statement of changes in equity, and significant movements during the year, is provided below:

4.1.2 Fair value through other comprehensive income reserve

The reserve records the unrealised gains and losses arising from changes in the fair value of financial instruments at fair value through other comprehensive income. The movements in this reserve are detailed in the Statement of comprehensive income.

Notes to the financial statements

Section 5: Other notes

5.1 Notes to the statement of cash flows

	2023 £m	2022 £m
Non-cash or non-operating items included in loss before tax		
Other non-cash items	<u>(0.1)</u>	-
Changes in operating assets		
Net (increase)/decrease in:		
Due from related entities	<u>(3.9)</u>	0.1
Changes in operating liabilities		
Net decrease in:		
Due to related entities	<u>(0.3)</u>	(0.4)

For the purposes of the Statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	2023 £m	2022 £m
Cash at bank	<u>-</u>	<u>4.2</u>

5.2 Related party transactions

During the year there have been transactions between the Company, controlled entities of the Company, and other related parties.

	2023 £m	2022 £m
Amounts due from related entities		
<i>Other assets</i>		
Loans and other receivables due from Clydesdale Bank PLC	7.2	-
<i>Financial assets at fair value through other comprehensive income</i>		
Equity investment in ultimate parent company	<u>0.2</u>	0.4
Total amounts due from related entities	<u><u>7.4</u></u>	<u><u>0.4</u></u>
Amounts due to related entities		
Loans and other payables due to controlled entities	<u>3.0</u>	-
Total amounts due to related entities	<u><u>3.0</u></u>	<u><u>-</u></u>

	2023 £m	2022 £m
Transactions with related entities		
<i>Non-interest income received</i>		
Costs recharged to controlled entities	<u>0.3</u>	0.4
<i>Administrative expenses</i>		
Costs recharged from Clydesdale Bank PLC	<u>(0.2)</u>	(0.5)

Other related party activity

The Company has no employees (2022: Nil).

5.3 Events after the balance sheet date

There were no further events after the balance sheet date.