

Annual report and financial statements

Virgin Money Limited
(formerly known as Virgin Money PLC)

For the year ended 30 September 2021

Company Number: 06952311

Virgin Money Limited

Annual report and financial statements For the year ended 30 September 2021

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Officers and professional advisers

Directors

David Duffy
Clifford Abrahams (appointed 8 March 2021)
David Bennett (resigned 27 May 2021)
Paul Coby (resigned 27 May 2021)
Geeta Gopalan (resigned 27 May 2021)
Elena Novokreshchenova (appointed 22 March 2021, resigned 27 May 2021)
Darren Pope (resigned 27 May 2021)
Amy Stirling (resigned 27 May 2021)
Tim Wade (resigned 27 May 2021)

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

Strategic report

The Directors of Virgin Money Limited (formerly known as Virgin Money PLC) (the 'Company') present their Strategic report for the year ended 30 September 2021.

Principal activities and business structure

The Company is a wholly owned subsidiary of Virgin Money Holdings (UK) PLC. The Company's ultimate parent company is Virgin Money UK PLC ('Virgin Money') which together with its subsidiaries and controlled entities is referred to as the 'Group' in this Annual report.

On 26 September 2019, at a hearing in the Court of Session in Edinburgh, the Court approved a banking business transfer scheme under Part VII of the Financial Services and Markets Act 2000 (FSMA). The scheme effective date was 21 October 2019 and, in accordance with the court approval, on this date the business of the Company was transferred to Clydesdale Bank PLC. On 10 October 2020, the Company submitted an application to the PRA for removal of the Company's entire Part 4a permissions, and on 11 May 2021, the withdrawal of the Company's status as an authorised person took effect.

The Company has not traded since the transfer date other than to continue to honour a small number of legacy employee loans, all of which matured in the prior period.

With effect from 27 March 2020, the financial year end of the Company was changed from 31 December to 30 September to align with the year-end of its ultimate parent company. Accordingly, the comparative period within this Annual report is for nine months to 30 September 2020.

On 23 September 2021, Virgin Money PLC re-registered from a public limited company to a private limited company by the name of Virgin Money Limited.

Statutory profit

The statutory profit after tax for the year ended 30 September 2021 was £Nil (9 months to 30 September 2020: £Nil) due to the Company not trading in the year.

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 Annual Report and Accounts of Virgin Money UK PLC. The business is managed within the Virgin Money UK PLC Group and the results are consistent with the Company's status as a fully integrated and wholly owned subsidiary of the Virgin Money UK PLC Group. For this reason, the Company's Directors believe that providing further indicators for the Company itself would not enhance an understanding of the development, performance or position of the Company.

Principal risks and mitigating actions

The Company has not actively traded during the year and therefore has no principal or emerging risk exposures as at 30 September 2021.

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

The Companies Act 2006 sets out a number of general duties which directors owe to the Company. New legislation has been introduced to help shareholders better understand how directors have discharged their duty to promote the success of the Company, while having regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

The Company is part of the Virgin Money Group, and where matters impact other entities in the Group, stakeholder engagement is led by the Group Board. Further information on how the Group Board engages with stakeholders can be found in the Group Annual Report and Accounts.

As detailed above, on 26 September 2019, at a hearing in the Court of Session in Edinburgh, the Court approved a banking business transfer scheme under Part VII of the Financial Services and Markets Act 2000. The scheme effective date was 21 October 2019 and, in accordance with the court approval, on this date the business of the Company was transferred to Clydesdale Bank PLC. The Board considered the interests of key stakeholders through this process and engaged extensively with them.

In the current year, the Company had limited stakeholders. The Company has no employees, suppliers or customers and management of community and environmental stakeholders is managed by the Group Board. As a result, other matters set out in section 172(1) regarding stakeholder engagement with employees, suppliers, customers and communities is not relevant to the Company.

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.

Strategic report (continued)

Outlook

As noted previously, the business of the Company was transferred to Clydesdale Bank PLC on 21 October 2019 and on 11 May 2021, the Company's status as an authorised person was withdrawn. Subsequent to these activities, there have been no business transactions within Virgin Money Limited and it is intended that the Company will become dormant.

The Strategic report was approved by the Board of Directors on 23 March 2022 and was signed on its behalf by:

DocuSigned by:

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Clifford Abrahams
Director

Directors' report

The Directors of the Company submit their report and financial statements for the year ended 30 September 2021.

Corporate governance

Details of the corporate governance framework applying to the Company are set out in the Corporate governance report within the Virgin Money UK PLC Annual Report and Accounts.

Profits and appropriations

The Company made a profit before tax for the year to 30 September 2021 of £Nil (9 months to 30 September 2020: £Nil).

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. No Directors retired by rotation during the year.

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.

Stakeholder engagement and business relationships

Details of stakeholder engagement relevant to the Company are set out in the Strategic report above and the Governance report within the Virgin Money UK PLC Annual Report and Accounts.

Employees and employee engagement

The Company had no employees in the year. Information in relation to employees on a Group basis can be found in the Strategic report section of the Virgin Money UK PLC Annual Report and Accounts.

Political and charitable donations

No political or charitable donations were made during the year (9 months to 30 September 2020: £Nil).

Management of risk

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

Risk and capital related disclosures for Virgin Money UK PLC can be found in the Virgin Money UK PLC Pillar 3 report, www.virginmoneyukplc.com/investor-relations/results-and-reporting/financial-results/ and also within the Risk report section of the Virgin Money UK PLC Annual Report and Accounts.

Related parties

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

Directors' report (continued)

Share capital

On 29 September 2021, a special resolution was passed that reduced the issued ordinary share capital of the Company by cancelling and extinguishing 1,629,999,999 shares totalling £1,630.0m. Following this reduction, the issued ordinary share capital of the Company at 30 September 2021 comprises one ordinary share of £1.

Further share capital information is shown in note 4.1 of the financial statements.

Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and given there are no immediate plans to liquidate the company, 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 2021 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 the 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 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 that the Company has complied with IASs, 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 and provide an explanation where this is not the case.

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

The Directors who were members of the Board at the time of approving the Directors' report are noted 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:



Lorna McMillan

Company Secretary

23 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MONEY LIMITED

Opinion

We have audited the financial statements of Virgin Money Limited for the year ended 30 September 2021 which comprise the Statement of comprehensive income, Balance sheet, Statement of changes in equity, the Statement of cash flows and the related notes 1 to 5.2, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2021 and of its results for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 there is 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MONEY LIMITED (continued)

Matters on which we are required to report by exception

In 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 Statement of Directors' responsibilities 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.

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.

DocuSigned by:


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*Blake Adlem (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor*

Edinburgh

Date: 24/3/2022 | 18:27 GMT

Virgin Money Limited**Statement of comprehensive income
for the period ended 30 September**

	Note	12 months to 30 Sep 2021 £m	9 months to 30 Sep 2020 £m
Interest income		-	0.2
Interest expense and similar charges		-	(0.2)
Net interest income	2.1	-	-
Total comprehensive income for the period before and after tax attributable to equity holders		<u>-</u>	<u>-</u>

The notes on pages 12 to 18 form an integral part of these financial statements.

Virgin Money Limited**Balance sheet**

	Note	2021 £m	2020 £m
Assets			
Due from related entities	5.2	<u>10.0</u>	<u>10.0</u>
Total assets		<u><u>10.0</u></u>	<u><u>10.0</u></u>
Equity			
Share capital	4.1	-	1,630.0
Retained earnings		<u>10.0</u>	<u>(1,620.0)</u>
Total equity		<u><u>10.0</u></u>	<u><u>10.0</u></u>
Total liabilities and equity		<u><u>10.0</u></u>	<u><u>10.0</u></u>

The notes on pages 12 to 18 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 March 2022 and were signed on its behalf by:

DocuSigned by:

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Clifford Abrahams
Director

Company name: Virgin Money Limited
 Company number: 06952311

Statement of changes in equity

	Notes	Share capital £m	Retained earnings £m	Total equity £m
As at 1 January 2020		1,630.0	(1,620.0)	10.0
Total comprehensive income, net of tax		-	-	-
As at 30 September 2020	4.1	<u>1,630.0</u>	<u>(1,620.0)</u>	<u>10.0</u>
Total comprehensive income, net of tax		-	-	-
Reduction in ordinary share capital		<u>(1,630.0)</u>	<u>1,630.0</u>	<u>-</u>
As at 30 September 2021	4.1	<u><u>-</u></u>	<u><u>10.0</u></u>	<u><u>10.0</u></u>

The notes on pages 12 to 18 form an integral part of these financial statements.

Virgin Money Limited

Statement of cash flows

	Notes	12 months to 30 Sep 2021 £m	9 months to 30 Sep 2020 £m
Operating activities			
Profit on ordinary activities before tax		-	-
<i>Adjustments for:</i>			
Interest received		-	0.4
Net cash provided by operating activities		<u>-</u>	<u>0.4</u>
Cash flows from financing activities			
Interest paid		-	(0.4)
Repayment of loan due to Clydesdale Bank PLC		-	(117.0)
Net cash used in financing activities		<u>-</u>	<u>(117.4)</u>
Net decrease in cash and cash equivalents		-	(117.0)
Cash and cash equivalents at the beginning of the period		10.0	127.0
Cash and cash equivalents at the end of the period	5.1	<u>10.0</u>	<u>10.0</u>

The notes on pages 12 to 18 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 Limited is incorporated and registered in England and Wales. The Company is a wholly owned subsidiary of Virgin Money Holdings (UK) PLC, a company incorporated and registered in England and Wales.

On 26 September 2019, at a hearing in the Court of Session in Edinburgh, the Court approved a banking business transfer scheme under Part VII of the Financial Services and Markets Act 2000 (FSMA). The scheme effective date was 21 October 2019 and, in accordance with the court approval, on this date the business of Virgin Money Limited was transferred to Clydesdale Bank PLC. On 10 October 2020, the Company submitted an application to the PRA for removal of the Company's entire Part 4a permissions, and on 11 May 2021, the withdrawal of the Company's status as an authorised person took effect.

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 these financial statements to 'the Group' refer to Virgin Money UK PLC and its subsidiaries, including the Company.

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 1.5.

1.3 Going concern

As detailed in note 1.1 above, on 11 May 2021, the withdrawal of the Company's status as an authorised person took effect.

In line with the above, it is the intention of the Directors for the Company to become dormant. There are no immediate plans however, to liquidate the Company and the Directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future, and at least 12 months from the approval of the financial statements. Accordingly, the Directors adopt the going concern basis in preparing the Annual report and financial statements

1.4 New accounting standards and interpretations

New accounting standards and interpretations adopted

The Company has adopted no new or amended material International Accounting Standards Board (IASB) pronouncements in the current financial year.

Those IASB pronouncements that are effective for financial years beginning on or after 1 January 2020 and would have been applicable for entities with an accounting date commencing on 1 October 2020, have already been adopted by the Company in the shortened prior period that commenced on 1 January 2020.

New accounting standards and interpretations not yet adopted

The IASB has issued a number of minor amendments to IASs that are not mandatory for 30 September 2021 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.

⁽¹⁾ As the Company's accounting year straddles 31 December 2020, the date the UK ceased to be subject to EU law, the 2021 published financial reports are required to follow EU adopted international accounting standards. From 1 October 2021, the Company will follow and refer only to UK adopted international accounting standards, with the UK Endorsement Board being the body responsible for providing authorisation for the use of new IASB standards, amendments or interpretations in the UK from 1 January 2021. As at 30 September 2021, there were no material endorsement disparities between the UK and EU.

Notes to the financial statements

Section 1: Basis of preparation and accounting policies

1.5 Accounting policies

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

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements are presented in pounds Sterling (GBP), which is also the Company's presentation currency, rounded to the nearest hundred thousand pounds sterling (£0.1m) unless otherwise stated.

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.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it is related to items recognised in equity, in which case the tax is also recognised in equity.

Income tax expense or revenue is the tax payable or receivable on the current year's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and liabilities.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses.

Cash and cash equivalents

These are classified as financial assets at amortised cost. For the purposes of statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Directors. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

Notes to the financial statements

Section 1: Basis of preparation and accounting policies

1.6 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 Net interest income

	12 months to 30 Sep 2021 £m	9 months to 30 Sep 2020 £m
Interest income		
Cash and balances with central banks	-	0.2
Total interest income	<u>-</u>	<u>0.2</u>
Interest expense and similar charges		
Other interest expense	-	(0.2)
Total interest expense and similar charges	<u>-</u>	<u>(0.2)</u>
Net interest income	<u>-</u>	<u>-</u>

2.2 Operating and administrative expenses

Auditor's remuneration included within other operating and administrative expenses:

	12 months to 30 Sep 2021 £'000	9 months to 30 Sep 2020 £'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	12	10
Total audit fees	<u>12</u>	<u>10</u>
Total fees payable to the Company's auditor	<u>12</u>	<u>10</u>

Audit fees for the current year are included within other operating and administrative expenses. They were borne by another group company, Clydesdale Bank PLC, in the prior period.

No fees were paid to the Company's auditors for services other than the statutory audit of the Company.

Notes to the financial statements

Section 3: Assets and liabilities

3.1 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 tables below show 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.

	2021					2020				
	Carrying value	Fair value measurement using:				Carrying value	Fair value measurement using:			
		Fair value	Level 1	Level 2	Level 3		Fair value	Level 1	Level 2	Level 3
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets										
Due from related entities	10.0	10.0	-	10.0	-	10.0	10.0	-	10.0	-

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

(a) *Due from 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

At 30 September 2021, there were no financial instruments recognised on the balance sheet at fair value (2020: £Nil).

Notes to the financial statements

Section 4: Capital

4.1 Equity

a) Share capital

Allotted, called up and fully paid share capital

	2021 Number of shares millions	2020 Number of shares millions	2021 £m	2020 £m
Ordinary shares of £1 each				
Opening ordinary share capital	1,630.0	1,630.0	1,630.0	1,630.0
Reduction in issued share capital during the year	<u>(1,630.0)</u>	-	<u>(1,630.0)</u>	-
Closing ordinary share capital	<u>-</u>	<u>1,630.0</u>	<u>-</u>	<u>1,630.0</u>

On 29 September 2021, a special resolution was passed that reduced the issued ordinary share capital of the Company by cancelling and extinguishing 1,629,999,999 shares totalling £1,630.0m. As these shares were fully paid up, the value of the cancelled shares was credited to the Company's retained earnings as shown in the statement of changes in equity on page 10. Following this reduction, the issued ordinary share capital of the Company at 30 September 2021 comprises one ordinary share of £1.

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

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

The holders of ordinary shares are entitled to one vote per share at meetings of the Company. All ordinary shares in issue in the Company rank equally and carry the same voting rights and the same rights to receive dividends and other distributions declared or paid by the Company. There are no restrictions on the transfer of ordinary shares in the Company at 30 September 2021.

Notes to the financial statements

Section 5: Other notes

5.1 Notes to the statement of cash flows

	12 months to 30 Sep 2021 £m	9 months to 30 Sep 2020 £m
Non-cash or non-operating items included in profit before tax		
Interest income and other similar interest (note 2.1)	-	0.2
Interest expense and similar charges (note 2.1)	-	(0.2)
	<u>-</u>	<u>-</u>

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.

	2021 £m	2020 £m
Cash and cash equivalents		
Due from related entities (note 5.2)	10.0	10.0
	<u>10.0</u>	<u>10.0</u>

Reconciliation of movements to liabilities from cash flows arising from financing activities

	Intercompany loans £m
At 1 January 2020	<u>117.2</u>
Cash flows:	
Repayment	(117.0)
Interest paid	(0.4)
Non-cash flows	
Movement in accrued interest	0.2
At 30 September 2020 and 30 September 2021	<u>-</u>

5.2 Related party transactions

	2021 £m	2020 £m
Amounts due from related entities		
<i>Due from other banks</i>		
Clydesdale Bank PLC	10.0	10.0
Total amounts due from related entities	<u>10.0</u>	<u>10.0</u>
<i>Interest expense on the above amounts was as follows:</i>		
Clydesdale Bank PLC	-	(0.2)
	<u>-</u>	<u>(0.2)</u>

There were no transactions with related entities in the current year or prior period.

Compensation of key management personnel (KMP)

KMP comprise Directors of the Company and members of the Virgin Money Executive Leadership Team.

KMPs are employed as executives of other Group companies and do not receive incremental remuneration in respect of their duties as Directors of the Company. These costs are borne by Clydesdale Bank PLC.