Annual report and financial statements

Virgin Money Holdings (UK) PLC

For the period ended 30 September 2020

Company Number: 03087587

Virgin Money Holdings (UK) PLC

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For the period ended 30 September 2020

Contents

Officers and professional advisers

Directors	David Duffy Enda Johnson (appointed on 14 October 2020) Ian Smith (resigned on 14 October 2020)
Secretary	Lorna McMillan
Registered office	Jubilee House Gosforth Newcastle upon Tyne NE3 4PL
Independent auditors	Ernst & Young LLP 2 St Peter's Square Manchester M2 3EY

Strategic report

The Directors of Virgin Money Holdings (UK) PLC (the 'Company') present their Strategic report for the period ended 30 September 2020.

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.

With effect from 6 May 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, this Annual report has been prepared for nine months to 30 September 2020.

Financial analysis

The income statement for the period is set out on page 9. The Company made a loss before tax of £4.7m in the nine months to 30 September 2020, compared to a profit before tax of £48.5m for the year ended 31 December 2019.

Net interest income decreased by £0.4m to £Nil, primarily due to interest on debt securities in the prior year which are no longer in issue in the current period. Non-interest income has decreased by £48.0m to £3.1m compared to £51.1m for the year ended 31 December 2019, primarily due to dividends received in the prior year of £60.1m, offset by a one-off gain of £9.2m on disposal of Virgin Money Unit Trust Managers Limited. No dividends were received in the current period. Operating and administrative expenses increased by £0.3m (10%) to £3.3m driven by an increase in Group recharges. An impairment charge of £4.5m was also recognised in the current year (2019: £Nil) as a result of an impairment of the Company's investment in Virgin Money Personal Financial Services Limited (note 3.1).

The Company's balance sheet is set out on page 1. The Company's total assets decreased by £5.1m and total liabilities increased by £0.4m as at 30 September 2020, resulting in an overall net reduction in total equity of £5.5m.

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 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 let 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.

Future developments

In relation to the recent coronavirus outbreak, our business continuity plans are working well. At this stage of the outbreak it is difficult to fully assess the magnitude of the impact on the Company, however any risks are considered to be immaterial given that the Company acts as an intermediate holding company. The Directors have a plan in place to ensure the continuation of the Company's operations during COVID-19 and we have no reason to believe, at this stage, it will impact the going concern of the Company.

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.

Strategic report (continued)

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.

Impacts of COVID-19 on the entity and actions taken in response are being managed by the Directors, with support and guidance from the Company's ultimate parent, Virgin Money UK PLC.

This report was approved by the Board on 11 December 2020 and signed on its behalf by:

David Duffy
Director
Virgin Money Holdings (UK) PLC
Registered No. 03087587

Directors' report

The Directors of the Company submit their report and financial statements for the period ended 30 September 2020.

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 loss before tax for the 9 months to 30 September 2020 of £4.7m (12 months to 31 December 2019: profit before tax of £48.5m).

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. On 14th October 2020 Ian Smith resigned as Director of the Company and was replaced by Enda Johnson on the same date.

Directors' interests
No Director had any interest in the shares of the Company or its subsidiaries at any time during the period.

Directors' liabilities
During the period, Clydesdale Bank PLC paid a premium for a contract insuring the Directors and officers of the Company, 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 within the Virgin Money UK PLC 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 period (2019: £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 Virgin Money UK PLC can be found in the Virgin Money UK PLC Pillar 3 Report, https://www.virginmoneyukplc.com/investor-relations/results-and-reporting/annual-reports/ 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

Information about share capital 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 are satisfied that it has the resources to continue in business for at least 12 months from the approval of the financial statements. This assessment has taken into account the impact of COVID-19 on the Company's current financial position and results and the potential impact in future financial periods.

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

Events after the balance sheet date

On 14th October 2020 Ian Smith resigned as Director of the Company and was replaced by Enda Johnson on the same date.

On 10 December 2020 the Company novated its interest in Virgin Money Unit Trust Managers Limited to Clydesdale Bank PLC, another Group Company, as part of a wider project to streamline the Virgin Money Group.

Auditors and disclosure of information to the auditors

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

David Duffy
Director

11 December 2020

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 period. Under that law, they are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law. 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 period. 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 IFRS 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 IFRS, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MONEY HOLDINGS (UK) PLC

Opinion

We have audited the financial statements of Virgin Money Holdings (UK) PLC for the period ended 30 September 2020 which comprise the Income Statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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 period 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 HOLDINGS (UK) PLC (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 6, 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.

Ernst & Young LLP

Steven Robb (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
16 *December 2020*

Income statement

	Note	**9 months to 30 Sep 2020 £m**	12 months to 31 Dec 2019 £m
Interest income		**-**	8.3
Interest expense		**-**	(7.9)
Net interest income	2.1	**-**	0.4
Gains less losses on financial instruments at fair value		**-**	(0.2)
Other operating income		**3.1**	51.3
Non-interest income	2.2	**3.1**	51.1
Total operating income		**3.1**	51.5
Total operating and administrative expenses	2.3	**(3.3)**	(3.0)
Operating (loss)/profit before impairment losses		**(0.2)**	48.5
Impairment losses on investments in controlled entities	3.1	**(4.5)**	-
(Loss)/profit on ordinary activities before tax		**(4.7)**	48.5
Tax credit	2.4	**-**	1.9
(Loss)/profit for the period attributable to equity holders		**(4.7)**	50.4

The notes on pages 14 to 26 form an integral part of these financial statements.

Statement of comprehensive income

	9 months to 30 Sep 2020 £m	12 months to 31 Dec 2019 £m
(Loss)/profit after tax for the period	**(4.7)**	50.4
Items that will not be reclassified to the income statement		
Change in fair value through other comprehensive income reserve		
(Losses)/gains during the period	**(0.4)**	0.2
Total items that will not be reclassified to the income statement	**(0.4)**	0.2
Other comprehensive (losses)/income net of tax	**(0.4)**	0.2
Total comprehensive (losses)/income for the period, net of tax	**(5.1)**	50.6
Total comprehensive (losses)/income attributable to equity holder	**(5.1)**	50.6

The notes on pages 14 to 26 form an integral part of these financial statements.

Balance sheet

	Note	30 Sep 2020	31 Dec 2019[1]
		£m	£m
Assets			
Cash and cash equivalents		**4.7**	3.9
Financial instruments at fair value through other comprehensive income	3.3	**0.1**	0.9
Investments in controlled entities and associates	3.1	**28.8**	33.3
Investments in joint ventures	3.1	**10.8**	9.2
Current tax assets		**0.2**	3.1
Deferred tax assets	3.2	**2.0**	1.4
Due from related entities	5.2	**0.4**	0.2
Total assets		**47.0**	52.0
Liabilities			
Current tax liabilities		**0.1**	-
Due to related entities	5.2	**0.8**	0.4
Total liabilities		**0.9**	0.4
Equity			
Share capital and share premium	4.1	**1,135.9**	1,135.9
Other reserves	4.1	**(0.4)**	(0.5)
Retained earnings		**(1,089.4)**	(1,083.8)
Total equity		**46.1**	51.6
Total liabilities and equity		**47.0**	52.0

[1] The comparative year has been restated in line with current period presentation. Group relief receivable (previously included within 'other assets') has been reclassified to 'current tax assets'. Amounts recognised as 'cash and cash equivalents' have been renamed in the current period. These were labelled as amounts 'due from other banks' in the prior year. Amounts recognised as 'due from related entities' and 'due to related entities' have been renamed in the current period. These were labelled as 'other assets' and 'other liabilities', respectively, in the prior year.

The notes on pages 14 to 26 form an integral part of these financial statements.
These financial statements were approved by the Board of Directors on 10 December 2020 and were signed on its behalf by:

David Duffy
Director

Company name: Virgin Money Holdings (UK) PLC
Company number: 03087587

Statement of changes in equity

	Notes	Share capital and share premium £m	Other equity instruments £m	Fair value through other comprehensive income reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2019		655.9	384.1	(1.6)	379.8	1,418.2
Profit for the year		-	-	-	50.4	50.4
Other comprehensive income		-	-	0.2	-	0.2
Total comprehensive income, net of tax		-	-	0.2	50.4	50.6
AT1 distributions paid		-	-	-	(19.5)	(19.5)
Dividends paid		-	-	-	(216.0)	(216.0)
Shares issued – ordinary shares		480.0	-	-	-	480.0
Settlement of share awards on vesting		-	-	0.9	(3.2)	(2.3)
Share based compensation released		-	-	-	(1.1)	(1.1)
AT1 securities issued		-	247.3	-	-	247.3
AT1 securities redeemed		-	(156.5)	-	(3.5)	(160.0)
AT1 securities repaid at fair value		-	(474.9)	-	(18.5)	(493.4)
Gain on early repayment of AT1 securities issued by Virgin Money PLC		-	-	-	4.6	4.6
Capital contribution - intercompany loan forgiven by Clydesdale Bank PLC		-	-	-	47.1	47.1
Impairment of investment in Virgin Money PLC following FSMA Part VII		-	-	-	(1,303.9)	(1,303.9)
As at 31 December 2019	4.1	**1,135.9**	**-**	**(0.5)**	**(1,083.8)**	**51.6**
Loss for the period		-	-	-	(4.7)	(4.7)
Other comprehensive losses		-	-	(0.4)	-	(0.4)
Total comprehensive losses, net of tax		-	-	(0.4)	(4.7)	(5.1)
Settlement of share awards on vesting		-	-	0.5	(0.9)	(0.4)
As at 30 September 2020	4.1	**1,135.9**	**-**	**(0.4)**	**(1,089.4)**	**46.1**

The notes on pages 14 to 26 form an integral part of these financial statements.

Cash flow statement

	Notes	9 months to 30 Sep 2020 £m	12 months to 31 Dec 2019 £m
Operating activities			
(Loss)/profit on ordinary activities before tax		**(4.7)**	48.5
Adjustments for:			
Non cash or non operating items included in loss before tax	5.1	**4.4**	(47.8)
Changes in operating assets	5.1	**(0.2)**	(0.4)
Changes in operating liabilities	5.1	**0.4**	(0.1)
Tax received		**2.5**	-
Net cash provided by operating activities		**2.4**	0.2
Cash flows from investing activities			
Interest received		**-**	12.5
AT1 distributions received	5.2	**-**	10.1
Repayment of debt securities issued by controlled entities		**-**	346.7
Issuance of ordinary shares by controlled entities	4.1	**-**	(230.0)
Investment in AT1 securities issued by controlled entities	5.2	**-**	234.6
Borrowings drawn by controlled entities		**-**	(163.0)
Repayments of loans due from controlled entities		**-**	163.0
Dividends received from controlled entities	5.2	**-**	49.0
Net proceeds from sale of 50% (less one share) consideration in UTM		**-**	44.6
Purchase of ordinary shares issued by Virgin Money Unit Trust Managers Limited		**(1.6)**	-
Net cash provided (used in)/provided by investing activities		**(1.6)**	467.5
Cash flows from financing activities			
Interest paid		**-**	(12.0)
Proceeds from ordinary shares issued		**-**	480.0
Transfer of issued debt securities to Virgin Money UK PLC		**-**	(346.7)
Proceeds from issuance of AT1 securities		**-**	247.3
Redemption of £160m AT1 securities at first reset date		**-**	(160.0)
Transfer of £230m AT1 securities to Virgin Money UK PLC	5.2	**-**	(234.6)
Repayment of £250m AT1 securities to parent company	5.2	**-**	(258.9)
Repayments of loans due to controlled entities		**-**	(182.0)
Borrowings drawn from controlled entities		**-**	220.0
Borrowings drawn down from parent company		**-**	8.9
AT1 distributions paid		**-**	(19.5)
Ordinary dividends paid	4.1	**-**	(216.0)
Net cash used in financing activities		**-**	(473.5)
Net increase/(decrease) in cash and cash equivalents		**0.8**	(5.8)
Cash and cash equivalents at the beginning of the period		**3.9**	9.7
Cash and cash equivalents at the end of the period	5.1	**4.7**	3.9

The notes on pages 14 to 26 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) PLC (the "Company") 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.

With effect from 6 May 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 current financial statements are prepared for 9 months from 1 January 2020 to 30 September 2020 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable.

1.2 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, including interpretations issued by the IFRS Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information has been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments and financial instruments at fair value through other comprehensive income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, for 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. This includes the impact of COVID-19 on the Company's current financial position and results and the potential impact in future financial periods. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.4 Accounting policies

(a) Foreign 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.

The Company records an asset, liability, expense or revenue arising from a transaction using the closing exchange rate between the functional and foreign currency on the transaction date. At each subsequent reporting date, the Company translates foreign currency monetary items at the closing rate. Foreign exchange differences arising on translation or settlement of monetary items are recognised in the income statement during the period in which the gains or losses arise.

(b) Net interest income

Interest income is reflected in the income statement using the effective interest method which discounts the estimated future cash payments or receipts over the expected life of the amortised cost or fair value through other comprehensive income. Interest expense is reflected in the income statement using the same effective interest method on the amortised cost of the financial liability.

When calculating the effective interest rate, 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 includes all amounts paid or received that are an integral part of the effective interest rate such as transaction costs and all other premiums or discounts. Where it is not possible to reliably estimate 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.

Notes to the financial statements (continued)
Section 1: Basis of preparation and accounting policies (continued)

1.4 Accounting policies (continued)

(c) 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.

(d) Other operating income
Dividend income and distributions received from Additional Tier 1 securities are recognised when the right to receive payment is established.

(e) Taxation
Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it is related to items recognised directly in equity, in which case the tax is also recognised in equity.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, 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 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. A deferred tax asset is recognised for unused tax losses and unused tax credits only if it is probable that future taxable amounts will arise against which those temporary differences and losses may be utilised.

(f) 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. Purchases and sales of financial assets classified within fair value through profit or loss or fair value through other comprehensive income are recognised on trade date.

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

A financial asset is measured at amortised cost when (1) the asset is held within a business model whose objective is achieved by collecting contractual cash flows; and (2) the contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding.

ii. Fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI when (1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (2) the contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding unless the financial asset is designated at fair value through profit or loss on initial recognition.

iii. Fair value through profit or loss (FVTPL)

A financial asset is measured at FVTPL if it (1) does not fall into one of the business models described above; (2) is specifically designated as FVTPL on initial recognition in order to eliminate or significantly reduce a measurement mismatch; or (3) is classified as held for trading.

Financial assets are initially recognised at fair value including direct and incremental transaction costs. Subsequent recognition for assets at amortised cost or FVOCI is subject to the effective interest rate method less any impairment provision for expected credit losses (where material and recognised).

A financial instrument is classified as held for trading if it is acquired principally for the purpose of selling in the near term, forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

Notes to the financial statements (continued)
Section 1: Basis of preparation and accounting policies (continued)

1.4 Accounting policies (continued)

(f) Financial instruments (continued)

Financial liabilities

All financial liabilities are measured at amortised cost.

Offsetting

This can only occur, and the net amount be presented on the balance sheet, when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Cash and cash equivalents

These are classified as financial assets at amortised cost (see policy 1.4(f)). These balances are generally of a short-term nature and repayable on demand or within a short timescale (i.e. usually three months).

(h) Derivative financial instruments

The Company uses derivative contracts for the purpose of matching or eliminating risk from potential movements in interest rates, foreign exchange rates and equity exposures inherent in the Company's assets, liabilities and positions. All derivative transactions are for economic hedging purposes and are reviewed regularly for their effectiveness as hedges and corrective action taken, if appropriate. Derivatives are measured both initially and subsequently at fair value. Fair values are calculated by discounted cash flow models using yield curves that are based on observable market data or are based on valuations obtained from counterparties. Changes in fair value are recorded in the Income Statement.

(i) Investments in controlled entities, associates and joint ventures

The Company's investments in controlled entities, associates and joint ventures are valued at cost or valuation less any provision for impairment. Such investments are reviewed annually for potential evidence of impairment, or more frequently when there are indications that impairment may have occurred. Losses relating to impairment in the value of shares in controlled entities are recognised in the Income Statement. Gains or losses on the disposal or part disposal of an investment in a controlled entity, associate or joint venture are also recognised in the Income Statement within other operating income.

(j) Share capital and share premium

The financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium substantially represents the aggregate of all amounts that have ever been paid above par value to the Company when it has issued ordinary and deferred shares. Certain expenses in relation to the issue of share capital can be offset against the share premium account. These expenses must be the incremental expenses arising on issue of the shares.

Dividends

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved. Interim dividends are deducted from equity when they are no longer at the discretion of the Company.

Proposed final dividends for the period are disclosed as an event after the balance sheet date and deducted from equity in the subsequent accounting period when approved.

Notes to the financial statements (continued)
Section 1: Basis of preparation and accounting policies (continued)

1.4 Accounting policies (continued)

(k) Other reserves

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.

On derecognition of these financial assets, the cumulative gains or losses previously recognised in this reserve are recycled to the income statement and recognised in 'Other operating income', except for equity investments where the cumulative gains or losses are transferred within equity to 'Retained earnings'.

1.5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, actual results ultimately may differ from those estimates. This is reviewed at each reporting date by the Directors.

1.6 New accounting standards and interpretations

(a) New accounting standards and interpretations adopted

The Company has adopted a number of International Accounting Standards Board (IASB) pronouncements in the current financial period. The adoption of these amendments to standards or interpretations had an insignificant impact on the Company and did not result in any change in accounting policies, and include:

- Amendments to references to the 'Conceptual Framework in IFRS Standards', issued in March 2018 and effective for financial years beginning on or after 1 January 2020. The amendments are adopted for use in the EU and were issued following the IASB's publication of a revised version of its Conceptual Framework for Financial Reporting and updates the references in IFRS standards to previous versions of the Conceptual Framework.
- Amendments to IAS 1: 'Presentation of Financial Statements' and IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' issued in October 2018 and effective prospectively for financial years beginning on or after 1 January 2020. The amendments are adopted for use in the EU and provide clarification on the definition of 'material'.

(b) New accounting standards and interpretations not yet adopted

There are a number of other standards, interpretations and amendments that have not been applied by the Company in preparing these financial statements as they are either not available for adoption in the EU or are not mandatory for the Company as at 30 September 2020. The pronouncements are not expected to have a material impact.

Notes to the financial statements (continued)
Section 2: Results for the period

2.1 Net interest income

	9 months to 30 Sep 2020 £m	12 months to 31 Dec 2019 £m
Interest income		
Debt securities	-	7.6
Other interest income	-	0.7
Total interest income	-	8.3
Interest expense and similar charges		
Debt securities in issue	-	(7.8)
Other interest expense	-	(0.1)
Total interest expense	-	(7.9)
Net interest income	-	0.4

2.2 Non-interest income

	9 months to 30 Sep 2020 £m	12 months to 31 Dec 2019 £m
Gains less losses on financial instruments at fair value		
Derivatives used for economic hedging but not in hedge accounting relationships	-	(0.2)
	-	(0.2)
Other operating income		
Loss on disposal of Virgin Money Unit Trust Managers Limited(1)	-	(9.2)
Other income(2)	3.1	60.5
	3.1	51.3
Non-interest income	3.1	51.1

(1) The Company sold 50% (less one share) of its shareholding in Virgin Money Unit Trust Managers Limited (UTM) to Aberdeen Asset Management PLC ('AAM') on 31 July 2019. A loss on sale of £9.2m was recorded by the Company on the partial disposal, with the consolidated Virgin Money Group recording an overall gain on sale of £35.4m. Consequently, UTM became a joint venture and is accounted for under the equity method from the date of disposal.

(2) In 2019, other income included dividends received from controlled entities totalling £49.0m and distributions received on Additional Tier 1 securities of £10.1m. No comparable amounts have been received in the current period.

Notes to the financial statements (continued)
Section 2: Results for the period (continued)

2.3 Operating and administrative expenses

Expenses of £3.3m (2019: £3.0m) have been recharged from other Group members. Refer to note 5.2.

Auditor's remuneration	9 months to 30 Sep 2020 £'000	12 months to 31 Dec 2019 £'000
Fees payable to the Company's auditors for the audit of the Company's accounts	**21**	20

Audit fees have been borne by the Company's parent, Clydesdale Bank PLC, in the period.

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

2.4 Taxation

	9 months to 30 Sep 2020 £m	12 months to 31 Dec 2019 £m
Current tax		
UK corporation tax		
Group relief payable/(receivable)	**0.1**	(0.6)
Adjustment in respect of prior years	**0.5**	-
	0.6	(0.6)
Deferred tax (note 3.2)		
Current period	**-**	(1.3)
Adjustment in respect of prior years	**(0.4)**	-
Effect of changes in tax rates	**(0.2)**	-
	(0.6)	(1.3)
Tax credit for the period	**-**	(1.9)

The tax assessed for the period differs from that arising from applying the standard rate of corporation tax in the UK of 19% (2019: 19%). A reconciliation from the (credit)/charge implied by the standard rate to the actual tax credit is as follows:

	9 months to 30 Sep 2020 £m	12 months to 31 Dec 2019 £m
(Loss)/profit on ordinary activities before tax	**(4.7)**	48.5
Tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**(0.9)**	9.2
Effects of:		
Disallowable expenses	**0.9**	2.9
Income not taxable	**-**	9.3
Transfer pricing adjustments	**0.1**	0.2
Tax relief on AT1 distributions paid	**-**	(3.7)
AT1 gains and losses on repayment	**-**	(1.3)
Adjustment in respect of prior years	**0.1**	-
Tax rate changes	**(0.2)**	0.1
Tax credit for the period	**-**	(1.9)

Disallowable expenses in the current year relate to the impairment of the carrying value of the Company's investment in Virgin Money Personal Financial Services Limited.

Since 1 April 2017, the statutory rate of UK corporation tax has been 19%. The previously enacted corporation tax reduction to 17% on 1 April 2020 was cancelled in the Budget of 11 March 2020, and a resolution effecting this passed by Parliament on 17 March 2020. The new rate is used to measure the values at which assets are expected to be realised and liabilities settled.

Notes to the financial statements (continued)
Section 3: Assets and liabilities

3.1 Investments in controlled entities and associates

	30 Sep 2020 £m	31 Dec 2019 £m
Investments in controlled entities and associates	**28.8**	33.3

Direct holdings	Nature of business	Class of share held	Proportion held	Country of incorporation
Virgin Money PLC	Banking - non trading	Ordinary	100%	England
Virgin Money Personal Financial Service Limited	Insurance intermediary	Ordinary	100%	England
Virgin Money Management Services Limited	Group services company	Ordinary	100%	England
Virgin Money Giving Limited	Charitable donations	Ordinary	100%	England

The Company is the sole member of The Virgin Money Foundation, a charitable foundation registered in England as a company limited by guarantee. The Company acts as a guarantor for £1.

All subsidiaries have a financial year end of 30 September. The registered address for all of the above controlled entities is Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL.

Impairment of investment in Virgin Money Personal Financial Services Limited ('VMPFS')

An impairment test on the carrying value of the Company's investment in Virgin Money Personal Financial Services Limited has been undertaken. The recoverable amount of £21.1m as determined by a value-in-use (VIU) calculation was lower than the carrying value of £16.6m, resulting in an impairment charge of £4.5m at 30 September 2020.

Key assumptions used in value-in-use calculation
The VIU calculation uses discounted cash flow projections for VMPFS which are included in the Group's Board approved 5-year Strategic and Financial Plan, with a terminal growth rate applied beyond the 5 projected year cash flows.

The following assumptions are used in the VIU calculation, in accordance with the requirements of IAS 36:

- Discount rate: 12.1%
- Annual growth rate (years 6-10): 2%
- Projected terminal growth rate: 2%

The five-year forecast projections use a range of business assumptions specific to the Company such as product volumes and margins which are commercially sensitive.

Discount rate
The discount rate applied reflects the pre-tax cost of equity for the Group.

Growth rate
The growth rate is based on management's expectation of the long-term average growth prospects for UK GDP after taking into account the broader historic UK economic outlook and trends.

Sensitivity to changes in assumptions
Changes in the discount rate or projected terminal growth rate will impact the Company's assessment of the value in use of VMPFS. If adjusted independently of all other variables, a 100 basis point increase in the discount rate would increase the impairment charge by £1.6m and a 100 basis point decrease in the projected terminal growth rate would increase the impairment charge by £1.1m.

Notes to the financial statements (continued)
Section 3: Assets and liabilities

3.1 Investments in controlled entities and associates

Investment in joint ventures and indirect holdings

	30 Sep 2020 £m	31 Dec 2019 £m
Investments in joint ventures and indirect holdings	**10.8**	9.2

Investment in Virgin Money Unit Trust Managers Limited

Until 10 December 2020, the Company had a joint venture with AAM, where the Company owned 50% plus one share in Virgin Money Unit Trust Managers Limited. The investments and pensions joint venture with AAM is accounted for at cost less any impairment and the investment is recognised within 'investments in joint ventures' and is shown separately on the balance sheet. The registered office address is Jubilee House, Gosforth, Newcastle-Upon-Tyne, NE3 4PL. Virgin Money Unit Trust Managers Limited has a year end of 31 December 2020.

In June 2020, Virgin Money UK PLC committed to provide additional funding of up to £12.5m over 12 months to support the strategic and customer proposition development of Virgin Money Unit Trust Managers Limited via a mix of equity and debt finance, with the joint venture partner also committed to provide additional funding of up to £12.5m over the same timeframe. As part of the first two tranches of funding, the Company acquired ordinary shares issued by Virgin Money Unit Trust Managers Limited totalling £1.6m in July 2020 and, subsequent to the year end, £3.75m in October 2020.

The Company also had an indirect holding of 50% (plus one share) in Virgin Money Nominees Limited (via its holding in Virgin Money Unit Trust Managers Limited).

On 10 December 2020 the Company novated its interest in Virgin Money Unit Trust Managers Limited to Clydesdale Bank PLC, another Group Company, as part of a wider project to streamline the Virgin Money Group.

3.2 Deferred tax assets

Movement in deferred tax asset

	30 Sep 2020 £m	31 Dec 2019 £m
Opening deferred tax asset	**1.4**	0.1
Deferred tax credit (note 2.4)	**0.2**	1.3
Adjustment in respect of prior periods (note 2.4)	**0.4**	-
Closing deferred tax asset	**2.0**	1.4

The Company has recognised deferred tax in relation to the following items:

	30 Sep 2020 £m	31 Dec 2019 £m
Tax losses carried forward	**2.0**	1.4
Total deferred tax asset	**2.0**	1.4

The tax losses incurred in the period are available to surrender to group companies in future years and have therefore been recognised as a deferred tax asset since the Directors consider their recoverability as probable.

At 30 September 2020, the Company had an unrecognised deferred tax asset of £0.9m (31 December 2019: £0.8m) representing tax losses with a gross value of £4.7m (31 December 2019: £4.7m). The tax losses are only available to carry forward against future profits of the Company. 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.

The recognised and unrecognised deferred tax assets are based on the tax rate in force at 30 September 2020 of 19%. The prior year credit is due to the use of 19% rather than the 17% rate previously enacted.

Notes to the financial statements (continued)
Section 3: Assets and liabilities

3.3 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

(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 where these are not approximately equal.

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.

	30 September 2020					31 December 2019				
			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
Financial assets	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Cash and cash equivalents	**4.7**	**4.7**	**-**	**4.7**	**-**	3.9	3.9	-	3.9	-
Due from related entities	**0.4**	**0.4**	**-**	**0.4**	**-**	3.3	3.3	-	3.3	-
Financial liabilities										
Due to related entities	**0.8**	**0.8**	**-**	**0.8**	**-**	0.4	0.4	-	0.4	-

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

(a) *Cash and cash equivalents* – Fair value was estimated by using discounted cash flows applying either market rates where practicable or rates offered by other financial institutions for loans with similar characteristics. The fair value of floating rate placements, fixed rate placements with less than six months to maturity and overnight deposits is considered to approximate to their carrying amount.

(b) *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 30 September 2020				Fair value measurement at 31 December 2019			
	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 fair value through other comprehensive income	**0.1**	**-**	**-**	**0.1**	0.9	-	-	0.9
Total financial assets measured at fair value	**0.1**	**-**	**-**	**0.1**	0.9	-	-	0.9

Notes to the financial statements (continued)
Section 4: Capital

4.1 Equity

4.1.1 Share capital and share premium

	30 Sep 2020 £m	31 Dec 2019 £m
Share capital	**480.1**	480.1
Share premium	**655.8**	655.8
Share capital and share premium	**1,135.9**	1,135.9

Allotted, called up and fully paid share capital

	30 Sep 2020 Number of shares	31 Dec 2019 Number of shares	30 Sep 2020 £	31 Dec 2019 £
Ordinary shares of £0.0001 each				
At 1 January	**4,800,447,313,484**	446,067,336	**480,044,731**	44,607
Issued during the period	**861,827**	4,800,001,246,148	**86**	480,000,124
At 31 December	**4,800,448,175,311**	4,800,447,313,484	**480,044,817**	480,044,731
Deferred shares of £0.001 each				
At 1 January and at 30 September / 31 December	**10,052,161**	10,052,161	**10,052**	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 £86 (2019: £125) were issued to the Virgin Money Employee Benefit Trust throughout the period in order to satisfy share awards made to employees as they fall due.

No dividends have been paid or declared in the current period. In the prior year, interim dividends totalling £216.0m were paid to the Company's parent, Clydesdale Bank PLC, comprising an interim dividend of £126.0m in February 2019 and an interim dividend of £90.0m in March 2019. These dividends were deducted from retained earnings in the prior year.

The following describes the rights attaching to each share class at 30 September 2020:

(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 2020 (31 December 2019: 100%).

There are no restrictions on the transfer of ordinary shares in the Company at 30 September 2020.

(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 have no voting or dividend rights and, on a return of capital on a winding up, have no valuable economic rights.

The deferred shares are held in treasury. This is 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 less than 0.0% of the total share capital at 30 September 2020 (31 December 2019: 0.1%).

A description of the other equity reserves category included within the statement of changes in equity, and significant movements during the period, 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 (continued)
Section 5: Other notes

5.1 Notes to the statement of cash flows

	30 Sep 2020 £m	31 Dec 2019 £m
Non-cash or non operating items included in loss before tax		
Impairment losses on investments in controlled entities	**4.5**	-
Derivative financial instruments at fair value movements	**-**	0.2
Loss on repayment of debt securities issued by controlled entities	**-**	6.0
Gain on transfer of issued debt securities to Virgin Money UK PLC	**-**	(4.4)
Intercompany dividends received	**-**	(49.0)
Loss on disposal of UTM	**-**	9.2
AT1 distributions received	**-**	(10.1)
Interest income	**-**	4.3
Interest expense	**-**	(4.0)
Other non-cash items	**(0.1)**	-
	4.4	(47.8)

	30 Sep 2020 £m	31 Dec 2019 £m
Changes in operating assets		
Net (increase)/decrease in:		
Current tax assets	**-**	(0.7)
Derivative financial instruments	**-**	0.3
Due from related entities	**(0.2)**	-
	(0.2)	(0.4)

	30 Sep 2020 £m	31 Dec 2019 £m
Changes in operating liabilities		
Net increase/(decrease) in:		
Due to related entities	**0.4**	0.2
Other liabilities	**-**	(0.3)
	0.4	(0.1)

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.

	30 Sep 2020 £m	31 Dec 2019 £m
Cash and cash equivalents	**4.7**	3.9

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

	Intercompany loans £m	Debt securities in issue £m	Total £m
At 1 January 2019	-	347.2	347.2
Cash flows:			
Draw downs	228.9	-	228.9
Repayment	(182.0)	(346.7)	(528.7)
Interest paid	(0.2)	(11.8)	(12.0)
Non-cash flows			
Amounts forgiven by parent company	(47.1)	-	(47.1)
Unamortised costs	-	(0.6)	(0.6)
Other movement	0.4	11.9	12.3
At 31 December 2019	-	-	-
Cash flows	-	-	-
Non-cash flows	-	-	-
At 30 September 2020	**-**	**-**	**-**

Notes to the financial statements (continued)
Section 5: Other notes (continued)

5.2 Related party transactions

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

Amounts due from related entities	30 Sep 2020 £m	31 Dec 2019 £m
Other assets		
Loans and other receivables due from controlled entities	**0.4**	0.2
Group relief due from controlled entities	**0.2**	0.6
Group relief due from Clydesdale Bank PLC	**-**	2.1
Group relief due from controlled entities of Clydesdale Bank PLC	**-**	0.4
	0.6	3.3
Financial assets at fair value through other comprehensive income		
Equity investment in ultimate parent company	**0.1**	0.9
Total amounts due from related entities	**0.7**	4.2
Interest income on the above amounts was as follows:		
Loans and other receivables due from controlled entities	**-**	0.7
Subordinated notes	**-**	7.6
	-	8.3

Amounts due to related entities	£m	£m
Other payables due to Clydesdale Bank PLC	**0.8**	0.4
Current tax liabilities		
Group relief due to Clydesdale Bank PLC	**0.1**	-
Total amounts due to related entities	**0.9**	0.4
Interest expense on the above amounts was as follows		
Loans due to controlled entities	**-**	0.4

Transactions with related entities	30 Sep 2020 £m	31 Dec 2019 £m
Non-interest income received		
Costs recharged to controlled entities	**2.7**	2.8
Virgin Money Giving platform fee cover received from Clydesdale Bank PLC	**0.4**	-
Loss on early repayment of £350m MTN by Virgin Money PLC	**-**	(6.0)
Gain on transfer of obligation for £350m MTN to Virgin Money UK PLC	**-**	4.5
	3.1	1.3
Administrative expenses		
Costs recharged from controlled entities	**-**	(2.4)
Virgin Money Giving platform fee cover paid to Virgin Money Giving	**(0.4)**	-
Costs recharged from Clydesdale Bank PLC	**(2.9)**	(0.6)
	(3.3)	(3.0)
Tax expense		
Group relief payable to Clydesdale Bank PLC	**(0.1)**	-
Group relief receivable from controlled entities	**-**	0.1
Group relief receivable from fellow subsidiaries of Virgin Money UK PLC	**-**	0.5
	(0.1)	0.6
Equity transactions		
Share capital issued to Clydesdale Bank PLC	**-**	(480.0)
Gain on early repayment of £230m AT1 securities by Virgin Money PLC	**-**	(4.6)
Transfer of obligation for £230m AT1 securities to Virgin Money UK PLC	**-**	234.6
Early repayment of £250m AT1 securities to Clydesdale Bank PLC	**-**	258.9
Waiver of intercompany loan by Clydesdale Bank PLC	**-**	(47.1)
	-	38.2

Loans and other receivables due from controlled entities of £Nil were waived in the period (2019: £Nil).

Notes to the financial statements (continued)

Section 5: Other notes (continued)

5.2 Related party transactions (continued)

Related party dividends and distributions

The Company paid total dividends of £Nil (2019: £216.0m) in the period to its parent, Clydesdale Bank PLC.

The Company received total dividends of £Nil in the period from controlled entities (2019: £49.0m).

The Company received total coupons of £Nil (2019: £10.1m) in relation to its investment in Additional Tier 1 securities by Virgin Money PLC.

Other related party activity

The Company has no employees (2019: Nil).

5.3 Contingent liabilities and commitments

In June 2020, Virgin Money UK PLC committed to provide additional funding of up to £12.5m over 12 months to support the strategic and customer proposition development of Virgin Money Unit Trust Managers Limited via a mix of equity and debt finance, with the joint venture partner also committed to provide additional funding of up to £12.5m over the same timeframe. As part of the first two tranches of funding, the Company acquired ordinary shares issued by VMUTM totalling £1.6m in July 2020 and £3.75m in October 2020.

5.4 Post balance sheet events

On 14th October 2020 Ian Smith resigned as Director of the Company and was replaced by Enda Johnson on the same date.

On 10 December 2020 the Company novated its interest in Virgin Money Unit Trust Managers Limited to Clydesdale Bank PLC, another Group Company, as part of a wider project to streamline the Virgin Money Group.