

# Annual report and financial statements

## Virgin Money PLC

For the period ended 30 September 2020

Company Number: 06952311

# Virgin Money PLC

## Annual report and financial statements For the period ended 30 September 2020

### Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	4
Statement of Directors' responsibilities	6
Independent auditor's report	7
Income statement	9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14

Certain figures contained in this document, including financial information, may have been subject to rounding adjustments and foreign exchange conversions. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

**Officers and professional advisers**

**Directors**

David Duffy  
Ian Smith (resigned 30 September 2020)  
David Bennett  
Paul Coby  
Geeta Gopalan  
Fiona MacLeod (resigned 30 September 2020)  
Darren Pope  
Amy Stirling  
Tim Wade

**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 PLC (the 'Company') present their Strategic report for the period ended 30 September 2020.

### Principal activities

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 Virgin Money PLC was transferred to Clydesdale Bank PLC.

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 during the period. The £117.2m loan and accrued interest payable to Clydesdale Bank PLC at December 2019 was repaid in June 2020 at the same time as the migration of the Virgin Money PLC Bank of England Reserve account to Clydesdale Bank PLC. Following migration of the Bank of England account, the £10m capital balance remaining in Virgin Money PLC, held as cash, was transferred to an intercompany Clydesdale Bank PLC account.

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, this Annual report has been prepared for nine months to 30 September 2020.

### Business review

	As at 30 Sep 2020 £m	As at 31 Dec 2019 £m
<b>Summary balance sheet</b>		
Other financial assets	10.0	127.2
<b>Total assets</b>	<b>10.0</b>	<b>127.2</b>
Other liabilities	-	117.2
<b>Total liabilities</b>	<b>-</b>	<b>117.2</b>
Ordinary shareholders' equity	10.0	10.0
<b>Total equity</b>	<b>10.0</b>	<b>10.0</b>
<b>Total liabilities and equity</b>	<b>10.0</b>	<b>127.2</b>
	<b>9 months to 30 Sep 2020 £m</b>	<b>12 months to 31 Dec 2019 £m</b>
<b>Summary income statement</b>		
Net interest income	-	457.6
Non-interest income	-	38.7
<b>Total operating income</b>	<b>-</b>	<b>496.3</b>
Total operating and administrative expenses	-	(290.1)
<b>Operating profit before impairment losses</b>	<b>-</b>	<b>206.2</b>
Impairment losses on credit exposures	-	(78.5)
<b>Profit on ordinary activities before tax</b>	<b>-</b>	<b>127.7</b>
Tax expense	-	(28.7)
<b>Profit attributable to equity holders</b>	<b>-</b>	<b>99.0</b>

### Statutory profit

The statutory profit after tax for the nine months ended 30 September 2020 was £Nil (year ended 31 December 2019: £99.0m) due to the Company not trading in the period.

### 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.

## Strategic report (continued)

### Principal risks and mitigating actions

Following the transfer of the Virgin Money PLC business to Clydesdale Bank PLC as detailed above, the Company has not actively traded and therefore has no principal or emerging risk exposures as at 30 September 2020.

The Company remains a ring-fenced bank and retains current permissions. Subsequent to the year end on 10 October 2020, the Company submitted an application to the PRA for removal of the Firm's entire Part 4a permissions, however up until cancellation of all banking permissions, Virgin Money PLC Boards and Committees will continue to oversee, monitor and challenge management, and will continue to do so for as long as they continue to hold their senior management function and Notified Board roles.

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. Given the Company has no material risk exposures, has not traded in the period and has no intention of resuming trade, the Directors are confident the challenging situation can be managed.

### 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 Virgin Money PLC 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 period, 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.

### Outlook

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 all trade and assets have been transferred to Clydesdale Bank PLC. 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, however the Company's status within the wider Group will be kept under review.

The Strategic report was approved by the Board of Directors on 18 December 2020 and was signed on its behalf by:



David Duffy  
**Chief Executive Officer**  
 Virgin Money PLC  
 Registered No. 06952311

## 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 profit before tax for the 9 months to 30 September 2020 of £Nil (12 months to 31 December 2019: £127.7m).

### 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. The following directors resigned in the period:

- Adrian Grace (resigned 1 May 2020)
- Jim Pettigrew (resigned 5 May 2020)
- Teresa Robson-Capps (resigned 30 June 2020)
- Fiona MacLeod (resigned 30 September 2020)
- Ian Smith (resigned 30 September 2020)

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 period.

#### *Directors' interests*

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

#### *Directors' liabilities*

In the prior year, the Company 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.

### Stakeholder engagement and business relationships

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

### Employees and employee engagement

The Company had no employees in the period. 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 donations were made during the period (2019: £Nil). Refer to note 5.2 for details on charitable donations made by the Company.

### 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/](http://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.

### Significant contracts

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.

### Research and development activities

The Company does not undertake formal research and development activities.

### 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

There have been no significant events between 30 September 2020 and the date of approval of the annual financial statements which would require a change to or additional disclosure in the financial statements.

### 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



**Lorna McMillan**  
**Company Secretary**  
**18 December 2020**

**Statement of Directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law, they are required to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 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 IFRSs, 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 PLC

## Opinion

We have audited the financial statements of Virgin Money 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 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 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 results 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 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 Directors' responsibilities statement 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.

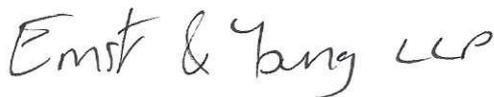
## Auditor's responsibilities for the audit of the financial statements

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.



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

**Income statement  
for the period ended 30 September**

		<b>9 months to 30 Sep 2020</b>	12 months to 31 Dec 2019
	Note	£m	£m
Interest income		0.2	900.9
Other similar interest		-	(1.3)
Interest expense and similar charges		(0.2)	(442.0)
<b>Net interest income</b>	2.1	-	457.6
Gains less losses on financial instruments at fair value		-	(14.5)
Other operating income		-	53.2
<b>Non-interest income</b>	2.2	-	38.7
<b>Total operating income</b>		-	496.3
<b>Total operating and administrative expenses before impairment losses</b>	2.3	-	(290.1)
<b>Operating profit before impairment losses</b>		-	206.2
Impairment losses on credit exposures		-	(78.5)
<b>Profit on ordinary activities before tax</b>		-	127.7
Tax expense	2.4	-	(28.7)
<b>Profit for the period attributable to equity holder</b>		-	99.0

The notes on pages 14 to 25 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
<b>Profit after tax for the period</b>	-	99.0
<b>Items that may be reclassified to the income statement</b>		
<i>Change in revaluation reserve for debt instruments at fair value through other comprehensive income</i>		
Gains during the period	-	13.0
Transfers to the income statement	-	(3.8)
Taxation	-	(2.3)
	-	6.9
<b>Total items that may be reclassified to the income statement</b>	-	6.9
<b>Items that will not be reclassified to the income statement</b>		
<i>Change in revaluation reserve for equity investments designated at fair value through other comprehensive income</i>		
Losses during the period	-	(0.3)
Taxation	-	0.2
<b>Total items that will not be reclassified to the income statement</b>	-	(0.1)
<b>Other comprehensive income, net of tax</b>	-	6.8
<b>Total comprehensive income for the period, net of tax</b>	-	105.8
<b>Total comprehensive income attributable to equity holder</b>	-	105.8

The notes on pages 14 to 25 form an integral part of these financial statements.

## Balance sheet

	Note	30 Sep 2020 £m	31 Dec 2019 <sup>(1)</sup> £m
<b>Assets</b>			
Cash and balances with central banks	3.1	-	127.0
Due from related entities	5.2	<u>10.0</u>	<u>0.2</u>
<b>Total assets</b>		<u><b>10.0</b></u>	<u><b>127.2</b></u>
<b>Liabilities</b>			
Due to related entities	3.2	-	117.2
<b>Total liabilities</b>		-	<u>117.2</u>
<b>Equity</b>			
Share capital	4.1	1,630.0	1,630.0
Retained earnings		<u>(1,620.0)</u>	<u>(1,620.0)</u>
<b>Total equity</b>		<u><b>10.0</b></u>	<u><b>10.0</b></u>
<b>Total liabilities and equity</b>		<u><b>10.0</b></u>	<u><b>127.2</b></u>

<sup>(1)</sup> The comparative year has been restated in line with the current period presentation. 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 25 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 18 December 2020 and were signed on its behalf by:



David Duffy  
Chief Executive Officer

Company name: Virgin Money PLC  
Company number: 06952311

## Statement of changes in equity

	Notes	Share capital £m	Other equity instruments £m	Fair value through other comprehensive income reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2019		1,400.0	230.0	(0.2)	167.4	1,797.2
Profit for the year		-	-	-	99.0	99.0
Other comprehensive income		-	-	6.8	-	6.8
Total comprehensive income, net of tax		-	-	6.8	99.0	105.8
Issue of ordinary shares		230.0	-	-	-	230.0
Early repayment of AT1 securities		-	(230.0)	-	(4.6)	(234.6)
AT1 distributions paid		-	-	-	(10.1)	(10.1)
Dividends paid		-	-	-	(42.0)	(42.0)
Share based compensation expensed		-	-	-	(1.1)	(1.1)
Gain on disposal of equity instruments		-	-	(0.5)	0.5	-
FSMA Part VII non-cash distribution of assets to CB PLC		-	-	(6.1)	(1,829.1)	(1,835.2)
<b>As at 31 December 2019</b>	4.1	<b>1,630.0</b>	<b>-</b>	<b>-</b>	<b>(1,620.0)</b>	<b>10.0</b>
Profit for the period		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
Total comprehensive income, net of tax		-	-	-	-	-
<b>As at 30 September 2020</b>	4.1	<b>1,630.0</b>	<b>-</b>	<b>-</b>	<b>(1,620.0)</b>	<b>10.0</b>

The notes on pages 14 to 25 form an integral part of these financial statements.

## Statement of cash flows

	Notes	9 months to 30 Sep 2020 £m	12 months to 31 Dec 2019 <sup>(1)</sup> £m
<b>Operating activities</b>			
Profit on ordinary activities before tax		-	127.7
<i>Adjustments for:</i>			
Non cash or non operating items included in profit before tax	5.1	-	(347.8)
Changes in operating assets	5.1	-	(968.6)
Changes in operating liabilities	5.1	-	1,866.4
Interest received		0.4	843.5
Interest paid		-	(371.9)
Tax paid		-	(2.8)
<b>Net cash provided by operating activities</b>		<b>0.4</b>	<b>1,146.5</b>
<b>Cash flows from investing activities</b>			
Interest received		-	13.2
Proceeds from redemption of securities		-	373.4
Proceeds from sale of securities		-	218.8
Purchase of property, plant and equipment		-	(2.8)
Purchase and development of intangible assets		-	(19.3)
Purchase of securities		-	(426.8)
<b>Net cash provided by investing activities</b>		<b>-</b>	<b>156.5</b>
<b>Cash flows from financing activities</b>			
Interest paid		(0.4)	(60.5)
Repayment of leasing liabilities		-	(4.6)
Proceeds from issuance of debt securities	5.1	-	1,128.5
Amounts repaid under the Term Funding Scheme	5.1	-	(1,295.0)
Repayments of debt securities in issue	5.1	-	(347.8)
Ordinary dividends paid		-	(42.0)
AT1 distributions paid		-	(10.1)
Issue of ordinary shares		-	230.0
Repayment of Additional Tier 1 securities		-	(230.0)
Cash transfer on FSMA Part VII, net of consideration proceeds		-	(4,158.0)
Repayment of loan due to Clydesdale Bank PLC		(117.0)	-
Borrowings drawn from Clydesdale Bank PLC		-	117.0
<b>Net cash used in financing activities</b>		<b>(117.4)</b>	<b>(4,672.5)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(117.0)</b>	<b>(3,369.5)</b>
Cash and cash equivalents at the beginning of the period		127.0	3,496.5
<b>Cash and cash equivalents at the end of the period</b>	5.1	<b>10.0</b>	<b>127.0</b>

<sup>(1)</sup> The comparative year has been restated in line with the current period presentation. The 'borrowings drawn from Clydesdale Bank PLC' in the prior year has been reclassified from 'changes in operating liabilities' to a separate line within financing activities.

The notes on pages 14 to 25 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 PLC is incorporated and registered in England and Wales. The registered office is Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL.

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 Virgin Money PLC was transferred to Clydesdale Bank PLC for cash consideration of £10.0m.

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.

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 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, statement of cash flows and the related notes are not comparable.

#### 1.2 Basis of accounting

The Company's 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.

#### 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.

As detailed in note 1.1 above, on 21 October 2019 the Group effected a transfer of the Company's banking business to Clydesdale Bank PLC under Part VII of the Financial Services and Markets Act 2000. Subsequently, on 10 October 2020, the Company submitted an application to relinquish its banking licence.

The Directors have not as yet made any firm decisions regarding the future status of the Company within the wider Group, but will keep this under review. Notwithstanding the business transfer and change in nature of the Company's operations, the Directors have considered the Company's current financial position, the principal and emerging risks which could impact the performance of the Company and the strategic and financial plan of the Group which includes future projections of profitability, capital adequacy, liquidity and funding. The assessment concluded that, for the foreseeable future, the Company has sufficient capital to support its operations; has a funding and liquidity base which is strong, robust and well managed with future capacity; and has expectations that the Company's financial position will continue to support execution of the Group's strategy.

As a result of the assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and at least 12 months from the approval of the financial statements, and therefore believe that the Company is well placed to manage its business risks successfully in line with its business model and strategic aims. 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

The accounting policies set out below relate to balances that existed at the balance sheet date for the current period and the prior year. Details of accounting policies relating to income statement amounts for the period prior to the Part VII exercise on 21 October 2019 can be found in the 2019 annual report and accounts.

## Notes to the financial statements

### Section 1: Basis of preparation and accounting policies (continued)

#### 1.4 Accounting policies (continued)

##### (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.

##### (c) 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.

##### (d) Cash and balances with central banks or due from other banks

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

##### (e) Share capital

Ordinary shares are classified as equity, with any incremental costs directly attributable to their issue recognised as a deduction from equity, net of any tax effects.

The Company's capital is represented by the issued capital and reserves and these are managed in order that there is sufficient capital to meet the needs of the Company in its operations.

##### *Dividends paid*

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 accounted for in the subsequent accounting period.

## Notes to the financial statements

### Section 1: Basis of preparation (continued)

#### 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 estimate 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**

	<b>9 months to 30 Sep 2020 £m</b>	12 months to 31 Dec 2019 £m
<b>Interest income</b>		
Cash and balances with central banks	0.2	21.1
Due from other banks	-	2.9
Financial instruments at fair value through other comprehensive income	-	17.1
Loans and advances to customers	-	855.2
Other interest income	-	4.6
<b>Total interest income</b>	<b>0.2</b>	<b>900.9</b>
<b>Other similar interest</b>		
Derivatives economically hedging interest bearing assets	-	(1.3)
<b>Total other similar interest</b>	<b>-</b>	<b>(1.3)</b>
<b>Interest expense and similar charges</b>		
Due to other banks	-	(48.3)
Customer deposits	-	(340.3)
Debt securities in issue	-	(15.3)
Amounts due to controlled structured entities	-	(29.7)
Other interest expense	(0.2)	(8.4)
<b>Total interest expense and similar charges</b>	<b>(0.2)</b>	<b>(442.0)</b>
<b>Net interest income</b>	<b>-</b>	<b>457.6</b>

**2.2 Non-interest income**

	<b>9 months to 30 Sep 2020 £m</b>	12 months to 31 Dec 2019 £m
<b>Gains less losses on financial instruments at fair value</b>		
Derivatives used for economic hedging but not in hedge accounting relationships	-	(20.3)
In effectiveness arising from fair value hedges	-	5.8
	-	(14.5)
<b>Other operating income</b>		
Fees and commissions		
Credit cards	-	21.5
Other	-	2.9
Gains on disposal of financial instruments at fair value through other comprehensive income	-	1.4
Other income	-	27.4
	-	53.2
<b>Total non-interest income</b>	<b>-</b>	<b>38.7</b>

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

**2.3 Operating and administrative expenses**

	<b>9 months to 30 Sep 2020 £m</b>	12 months to 31 Dec 2019 £m
Personnel expenses	-	148.2
Depreciation and amortisation expense	-	31.9
Impairment losses on tangible assets	-	5.9
Impairment of intangible assets	-	4.3
Other operating and administrative expenses	-	99.8
	<u>-</u>	<u>290.1</u>

Personnel expenses comprises the following items:

	<b>9 months to 30 Sep 2020 £m</b>	12 months to 31 Dec 2019 £m
Salaries, wages and non-cash benefits and social security costs	-	140.1
Defined contribution pension expense	-	8.8
Share based compensation	-	(0.7)
<b>Personnel expenses</b>	<u>-</u>	<u>148.2</u>

The average monthly number of employees was Nil (2019: 2,430). All employees were transferred to Clydesdale Bank PLC as part of the FSMA Part VII transfer in 2019.

Other operating and administrative expenses comprise operating lease charges of £Nil (2019: £6.8m).

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

	<b>9 months to 30 Sep 2020 £'000</b>	12 months to 31 Dec 2019 £'000
Fees payable to the Company's auditor for the audit of the Company's financial statements	<u>10</u>	<u>59</u>
Total audit fees	<u>10</u>	<u>59</u>
Other services	-	-
Total non-audit fees	-	-
Total fees payable to the Company's auditor	<u>10</u>	<u>59</u>

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.

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

**2.4 Taxation**

	<b>9 months to 30 Sep 2020</b>	12 months to 31 Dec 2019
	<b>£m</b>	£m
<b>Current tax</b>		
UK corporation tax		
Current period	-	24.9
Adjustment in respect of prior years	-	(1.7)
	<u>-</u>	<u>23.2</u>
<b>Deferred tax</b>		
Current period	-	4.0
Adjustment in respect of prior years	-	1.5
	<u>-</u>	<u>5.5</u>
<b>Tax expense for the period</b>	<u>-</u>	<u>28.7</u>

The tax assessed for the period differs from that arising from applying the standard rate of corporation tax in the UK of 19.0% (12 months to 31 December 2019: 19.0%). A reconciliation from the charge implied by the standard rate to the actual tax expense is as follows:

	<b>9 months to 30 Sep 2020</b>	12 months to 31 Dec 2019
	<b>£m</b>	£m
Profit on ordinary activities before tax	-	127.7
Tax charge based on the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	-	24.3
<i>Effects of:</i>		
Disallowable expenses	-	0.9
Gain on intra group transfer of MTNs not taxable	-	(1.1)
Bank corporation tax surcharge	-	0.5
Group relief paid at surcharge rate	-	5.8
Deferred tax in respect of employee share based compensation	-	0.6
Impact of rate changes	-	1.1
Tax relief on AT1 distributions paid	-	(1.9)
AT1 loss on repayment	-	(0.9)
Adjustments in respect of prior years	-	(0.2)
Other	-	(0.4)
<b>Tax expense for the period</b>	<u>-</u>	<u>28.7</u>

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 change to the tax rate has no impact on the tax expense in the financial statements.

## Notes to the financial statements (continued)

### Section 3: Assets and liabilities

#### 3.1 Cash and balances with central banks

	30 Sep 2020 £m	30 Dec 2019 £m
Balances with central banks (including EU payment systems)	-	127.0
Included in cash and cash equivalents (note 5.1)	<u>-</u>	<u>127.0</u>

#### 3.2 Due to related entities

	30 Sep 2020 £m	31 Dec 2019 £m
Amount owed to ultimate parent	<u>-</u>	<u>117.2</u>

#### 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 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.

	30 September 2020					31 December 2019 <sup>(1)</sup>				
	Carrying value £m	Fair value £m	Fair value measurement using:			Carrying value £m	Fair value £m	Fair value measurement using:		
			Level 1 £m	Level 2 £m	Level 3 £m			Level 1 £m	Level 2 £m	Level 3 £m
<b>Financial assets</b>										
Cash and balances with central banks	-	-	-	-	-	127.0	127.0	-	127.0	-
Due from related entities	<b>10.0</b>	<b>10.0</b>	-	<b>10.0</b>	-	0.2	0.2	-	0.2	-
<b>Financial liabilities</b>										
Due to related entities	-	-	-	-	-	117.2	117.2	-	117.2	-

<sup>(1)</sup> The comparative year has been restated in line with the current period presentation. 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 fair values disclosed for financial instruments at amortised cost are based on the following methodologies and assumptions:

- (a) *Cash and balances with central banks* – Fair value approximates to carrying value because cash and balances with central banks have minimal credit losses and are either short-term in nature or reprice frequently.
- (b) *Due from/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

At 30 September 2020, there were no financial instruments recognised on the balance sheet at fair value (31 December 2019: £Nil).

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

**3.4 Lessee accounting**

**a) Amounts recognised in the income statement**

The income statement includes the following amounts related to leases:

	<b>9 months to 30 Sep 2020 £'000</b>	12 months to 31 Dec 2019 £'000
<i>Interest expense and similar charges</i>		
Interest expense	-	0.5
<i>Operating expenses</i>		
Depreciation and impairment of right-of-use assets	-	8.2
Expense relating to short-term leases	-	0.5
Expense relating to leases of low-value assets that are not short-term leases	-	0.1
<b>Total</b>	<b>-</b>	<b>9.3</b>

Total cash outflow for leases in 2020 was £Nil (2019: £5.2m).

**b) Amounts recognised on the balance sheet**

All leases were novated to Clydesdale Bank PLC on 21 October 2019 as a result of FSMA Part VII therefore the right-of-use assets and the lease liabilities at 30 September 2020 are £Nil (31 December 2019: £Nil).

## Notes to the financial statements (continued)

## Section 4: Capital

## 4.1 Equity

## a) Share capital

## Allotted, called up and fully paid share capital

	30 Sep 2020 Number of shares millions	31 Dec 2019 Number of shares millions	30 Sep 2020 £m	31 Dec 2019 £m
<b>Ordinary shares of £1 each</b>				
Opening ordinary share capital	1,630.0	1,400.0	1,630.0	1,400.0
Issued during the period/year	-	230.0	-	230.0
<b>Closing ordinary share capital</b>	<b>1,630.0</b>	<b>1,630.0</b>	<b>1,630.0</b>	<b>1,630.0</b>

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 period. In the prior year, interim dividends of £42.0m were declared and paid.

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 2020.

## 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
<b>Non-cash or non operating items included in profit before tax</b>		
Interest income and other similar interest (note 2.1)	0.2	(899.6)
Interest expense and similar charges (note 2.1)	(0.2)	442.0
Depreciation and amortisation (note 2.3)	-	31.9
Derivative financial instruments fair value movements (note 2.2)	-	14.5
Impairment losses on credit exposures	-	78.5
Impairment losses on property, plant and equipment	-	5.9
Impairment of intangible assets (note 2.3)	-	4.3
Gain on disposal of financial instruments at fair value through other comprehensive income (note 2.2)	-	(1.4)
Loss on disposal of property, plant and equipment	-	0.3
Other non-cash items	-	(24.2)
	<u>-</u>	<u>(347.8)</u>
	<b>30 Sep 2020 £m</b>	<b>31 Dec 2019 £m</b>
<b>Changes in operating assets</b>		
Net increase in:		
Derivative financial instruments	-	(37.7)
Loans and advances to customers	-	(965.7)
Other assets	-	34.8
	<u>-</u>	<u>(968.6)</u>
	<b>30 Sep 2020 £m</b>	<b>31 Dec 2019 £m</b>
<b>Changes in operating liabilities</b>		
Net decrease in:		
Due to other banks	-	444.9
Derivative financial instruments	-	236.7
Customer deposits	-	1,980.7
Other liabilities	-	(795.9)
	<u>-</u>	<u>1,866.4</u>
	<b>30 Sep 2020 £m</b>	<b>31 Dec 2019 £m</b>
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
<b>Cash and cash equivalents</b>		
Cash and balances with central banks (note 3.1)	-	127.0
Due from related entities (note 5.2)	10.0	-
	<u>10.0</u>	<u>127.0</u>

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

**5.1 Notes to the statement of cash flows (continued)**

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

	Term Funding Scheme £m	Debt securities in issue £m	Lease liabilities £m	Intercompany loans £m	Total £m
At 1 January 2019	6,387.0	652.7	-	-	7,039.7
Adjustment on transition to IFRS 16	-	-	31.3	-	31.3
<b>Revised 1 January 2019</b>	<b>6,387.0</b>	<b>652.7</b>	<b>31.3</b>	<b>-</b>	<b>7,071.0</b>
<b>Cash flows:</b>					
Issuances	-	1,128.5	-	-	1,128.5
Draw downs	-	-	-	117.0	117.0
Repayment	(1,295.0)	(347.8)	(4.6)	-	(1,647.4)
<b>Non-cash flows</b>					
Unamortised costs	-	(2.1)	-	-	(2.1)
Movement in accrued interest	-	-	0.5	0.2	0.7
Other movement	-	(24.6)	0.2	-	(24.4)
Transfer on FSMA Part VII	(5,092.0)	(1,406.7)	(27.4)	-	(6,526.1)
<b>At 1 January 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117.2</b>	<b>117.2</b>
<b>Cash flows:</b>					
Repayment	-	-	-	(117.0)	(117.0)
Interest paid	-	-	-	(0.4)	(0.4)
<b>Non-cash flows</b>					
Movement in accrued interest	-	-	-	0.2	0.2
<b>At 30 September 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**5.2 Related party transactions**

	30 Sep 2020 £m	31 Dec 2019 £m
<b>Amounts due from related entities</b>		
<i>Due from other banks</i>		
Clydesdale Bank PLC	10.0	-
<i>Other assets</i>		
Amounts due from Clydesdale Bank PLC	-	0.2
<b>Total amounts due from related entities</b>	<b>10.0</b>	<b>0.2</b>
<i>Interest income on the above amounts was as follows:</i>		
Controlled securitisation entities of Clydesdale Bank PLC	-	0.1
Clydesdale Bank PLC	-	(17.9)
Virgin Money Holdings (UK) PLC	-	0.3
Securitisation entities controlled by the Company	-	4.0
	-	(13.5)
<i>Other liabilities</i>		
Clydesdale Bank PLC	-	(117.2)
<i>Interest expense on the above amounts was as follows:</i>		
Clydesdale Bank PLC	(0.2)	(3.0)
Securitisation entities controlled by the Company	-	(30.3)
Virgin Money Holdings (UK) PLC	-	(7.6)
	(0.2)	(40.9)

## Notes to the financial statements (continued)

### Section 5: Other notes (continued)

#### 5.2 Related party transactions (continued)

Transactions with related entities	30 Sep 2020 £m	31 Dec 2019 £m
<i>Non-interest income</i>		
Net fee and commissions charges to Virgin Atlantic Airways Limited	-	(13.9)
Virgin Money Holdings (UK) PLC recharges	-	2.4
Gain on repayment of £350m MTN to Virgin Money Holdings (UK) PLC	-	6.0
Net gains on derivative financial instruments at fair value issued by Clydesdale Bank PLC	-	6.9
Loss of sale of securities issued by controlled entities of Clydesdale Bank PLC	-	(0.4)
	<u>-</u>	<u>1.0</u>
<i>Operating and administrative expenses</i>		
Recharges to other subsidiaries of Virgin Money Holdings (UK) PLC	-	4.1
Trademark licence fees to Virgin Money UK PLC	-	(11.3)
Other costs to Virgin Atlantic Airways Limited	-	(0.4)
Donations to The Virgin Money Foundation	-	(1.5)
Other costs to Virgin Group companies	-	(0.2)
Costs recharged to Virgin Money Unit Trust Managers Limited	-	1.7
	<u>-</u>	<u>(7.6)</u>
<i>Tax Expense</i>		
Group relief payable to Clydesdale Bank PLC	-	(23.0)
	<u>-</u>	<u>(23.0)</u>
<i>Equity transactions</i>		
Share capital issued to Virgin Money Holdings (UK) PLC	-	(230.0)
Repayment of £230m AT1 securities to Virgin Money Holdings (UK) PLC	-	234.6
Interim dividends paid to Virgin Money Holdings (UK) PLC	-	42.0
AT1 distributions to Virgin Money Holdings (UK) PLC	-	10.1
Gain on sale of VISA preference shares to Virgin Money UK PLC	-	(0.5)
Loss on FSMA Part VII banking business transfer to Clydesdale Bank PLC	-	1,835.2
	<u>-</u>	<u>1,891.4</u>

#### Virgin Atlantic Airways Limited Agreement

Prior to the FSMA Part VII banking business transfer, the Company incurred credit card commissions and air mile charges to Virgin Atlantic Airways Limited (VAA) in respect of agreements between the two parties.

Certain incurred costs with VAA represent direct incremental transaction costs related to the issue of unsecured loans and advances to customers. Costs amounting to £Nil (2019: £2.3m) were recognised within the amortised cost of the related loans and advances in the year (prior to their transfer to Clydesdale Bank PLC as part of the FSMA Part VII business transfer).

#### License Fees

The Virgin Money group uses the Virgin Money brand through an agreement between an unconnected third party and Virgin Money UK PLC, the group's ultimate parent. Operating companies in the Virgin Money group bear a proportionate, arm's length recharge of that cost which reflects their usage of the brand.

#### Charitable Donations

The Company made donations to the Foundation in the prior year to enable the Foundation to pursue its charitable objectives. The Company also provided a number of support services to the Foundation on a pro bono basis, including use of facilities and employee time. The estimated gift in kind for support services provided during the period was £Nil (2019: £0.5m) and is included in the total value disclosed above.

#### Other

During 2019 the Company began trading derivatives with Clydesdale Bank PLC. All of the Company's historic external trades were replaced with derivatives traded with Clydesdale Bank PLC. The contracts were transferred to Clydesdale Bank PLC as part of the FSMA Part VII banking business transfer.

#### 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. If KMP had been employed directly by the Company, total compensation costs (which include salaries and other short-term benefits, termination benefits and equity-based compensation) would be £Nil (12 months to 31 December 2019: £8.2m) given the Company did not trade during the period.