Annual report and financial statements

Virgin Money Management Services Limited

For the period ended 31 March 2022

Company Number: 03072772

Virgin Money Management Services Limited

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For the period ended 31 March 2022

Contents

Directors and professional advisers

Directors	Yvonne Sharp Gergely Zaborszky (appointed on 20 November 2020) Paul Collyer (resigned on 20 November 2020)
Secretary	Lorna McMillan
Registered office	Jubilee House Gosforth Newcastle upon Tyne NE3 4PL
Independent auditors	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX

Strategic report

The Directors of Virgin Money Management Services Limited (the 'Company') present their Strategic report for the period ended 31 March 2022.

Principal activities

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

The principal activity of the Company is to provide management services to companies within the Group. Costs incurred on behalf of Group companies are recharged inclusive of a margin. No new external arrangements were entered into during the period and in October 2021, the final monthly lease payment on the now closed Manchester lounge was made. Since then, the Company has effectively ceased trading with only residual winding down transactional activity ongoing. Subsequent to completion of these activities, it is intended that the Company will become dormant.

With effect from 3 November 2021, the financial year end of the Company was changed from 30 September to 31 March in order to include the last few months trading activity within this extended accounting period. This report covers the 18 month period to 31 March 2022. In the prior period annual report, the financial period end of the Company had been changed and shortened from 31 December to 30 September to align with the year-end of its ultimate parent company. Accordingly, the comparative period in this report is the 9 months to 30 September 2020.

Financial analysis and key performance indicators

The statement of comprehensive income for the period is set out on page 10. The Company made a loss before tax of £17k in the current period, compared to a profit before tax of £14k for the period ended 30 September 2020.

Revenue decreased by £106k (69%) to £48k compared to £154k for the period ended 30 September 2020, due to a reduction in recharges to other Group companies following the closure of the Manchester lounge on 31 January 2020 and the surrender of the lease for the Norwich lounge to Clydesdale Bank PLC, a fellow Group company, on 31 July 2020.

The Company's balance sheet is set out on page 11. The Company's total assets decreased by £587k (16%) and total liabilities decreased by £96k (47%). These movements occurred as a result of the Company's decision to cease trading and the resulting clear down of balances.

Future developments

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. As detailed above, following completion of any residual trading activity, it is intended that the Company will become dormant.

Strategic report (continued)

Principal risks

The Company has been exposed to a variety of risks through its normal operations. Following the final monthly lease payment on the Manchester lounge in October 2021, the Company has not actively traded and therefore has no principal or emerging risk exposures as at 31 March 2022. The following paragraphs explain the most significant risks the Company was exposed to during the period, and how they were managed:

- **Liquidity risk:** the risk that the Company is unable to meet its obligations as they fall due. The Company's cash position was monitored on a regular basis and liquidity was supported by intercompany facilities and support from its parent entity.
- **Credit risk:** the risk that a counterparty fails to pay the Company monies owed. The Company managed 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. All key business processes were subject to periodic reviews on a risk prioritised basis by the Group's Risk and Internal Audit teams to ensure that appropriate controls were in place and operating effectively.
- **Legal risk:** the risk of legal sanction, material financial loss or loss of reputation that the Company may suffer as a result of its failure to comply with legislation, inadequately document its contractual arrangements or inadequately assess and implement changes required by forthcoming legislation or emerging case law. The Group Legal function supported the Company in meeting its contractual obligations and assessing legal developments.

Impacts of COVID-19 on the entity and actions taken in response were 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 8 July 2022 and signed on its behalf by:

Yvonne Sharp

Yvonne Sharp
Director
Virgin Money Management Services Limited
Registered No. 03072772

Directors' report

The Directors present their Annual report and financial statements for the period ended 31 March 2022.

Dividends

No dividends were declared or paid during the period (9 months to 30 September 2020: £Nil). The Directors do not recommend a final dividend in respect of the period ended 31 March 2022.

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 composition of the Board of Directors is shown on page 1.

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, Virgin Money UK 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 employees of Clydesdale Bank PLC, and do not receive incremental remuneration in respect of their duties as Directors of the Company.

Employees

The Company does not have any employees. All staff are provided by the Group and its subsidiary undertakings.

Political donations

No political donations were made during the period (2020: £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 5.1 of the financial statements.

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 given there are no immediate plans to liquidate the Company, are satisfied that it has the resources to continue in business for at least 12 months from the approval of the financial statements.

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

Directors' report (continued)

Events after the balance sheet date

There have been no significant events between 31 March 2022 and the date of approval of the annual financial statements which would require a change to or additional disclosure in the financial statements.

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

Yvonne Sharp
Director
8 July 2022

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

- select suitable accounting policies in accordance with International Accounting Standard 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 IASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance;
- state that the Company has complied with IASs, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable; and
- make an assessment of the Company's ability to continue as a going concern.

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 MANAGEMENT SERVICES LIMITED

Opinion

We have audited the financial statements of Virgin Money Management Services Limited for the period ended 31 March 2022 which comprise the statement of comprehensive income, the balance sheet, statement of changes in equity, statement of cash flows and the related notes 1.1 to 5.1, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 March 2022 and of its loss for the period then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial 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 MANAGEMENT SERVICES LIMITED (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 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.

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are Companies Act 2006, UK Tax Legislation as enforced by HM Revenue and Customs and International Accounting Standards.
- We understood how the Company is complying with those frameworks by enquiries of management, and through discussion with those charged with governance. We also reviewed minutes of the Board and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of the fraud risk assessment process, inspecting the fraud prevention policies and inquiring with appropriate levels of management and other personnel.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing key entity-level controls, inquiring with Legal Counsel and management regarding their knowledge of any actual or suspected fraud or non-compliance, reviewing legal and regulatory correspondence, the litigation register and Board minutes.

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.

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

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

Blake Adlem (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
8 July 2022

Statement of comprehensive income

	Note	18 months to 31 Mar 2022 £'000	9 months to 30 Sep 2020 £'000
Revenue	2.1	**48**	154
Operating expenses	2.2	**(48)**	(108)
Operating profit		**-**	46
Finance cost		**(17)**	(32)
(Loss)/profit before taxation attributable to equity holder		**(17)**	14
Tax (charge)/credit	2.4	**(474)**	60
(Loss)/profit for the period after tax attributable to equity holder		**(491)**	74
Total comprehensive (losses)/income for the period attributable to equity holder		**(491)**	74

The accompanying notes form an integral part of these financial statements.

Balance sheet

As at	Note	**31 Mar 2022** £'000	30 Sep 2020 £'000
Assets			
Cash and cash equivalents	3.1	**3,100**	2,937
Amounts owed by group undertakings	3.2	**-**	254
Deferred tax asset	3.3	**-**	496
Total assets		**3,100**	3,687
Liabilities			
Amounts owed to group undertakings	3.2	**73**	-
Trade and other payables	3.5	**-**	124
Provisions for liabilities and charges	3.7	**36**	81
Total liabilities		**109**	205
Equity			
Issued capital	4.1	**1,000**	1,000
Distributable capital reserve		**24,853**	24,853
Retained earnings		**(22,862)**	(22,371)
Total equity		**2,991**	3,482
Total equity and liabilities		**3,100**	3,687

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 8 July 2022 and were signed on its behalf by:

Yvonne Sharp
Director

Virgin Money Management Services Limited
Registered No. 03072772

Statement of changes in equity

	Issued capital £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2020	1,000	24,853	(22,445)	3,408
Profit and total comprehensive income for the period	-	-	74	74
As at 30 September 2020	1,000	24,853	(22,371)	3,482
Loss and total comprehensive losses for the period	-	-	(491)	(491)
As at 31 March 2022	**1,000**	**24,853**	**(22,862)**	**2,991**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

	Note	18 months to 31 Mar 2022 £'000	9 months to 30 Sep 2020 £'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(17)**	14
Adjustments for:			
Finance cost		-	5
Depreciation	3.4	-	67
Loss on disposal of property, plant and equipment	3.4	-	2
Decrease in trade and other receivables		-	20
Decrease in trading amounts owed by group undertakings	3.2	**135**	222
Increase in trading amounts owed to group undertakings	3.2	**73**	-
Decrease in trade and other payables	3.5	**(124)**	-
Decrease in provisions for liabilities and charges	3.7	**(45)**	(83)
Group relief received		**141**	194
Net cash provided by operating activities		**163**	441
Cash flows from financing activities			
Repayment of leasing liabilities		-	(160)
Net cash used in financing activities		-	(160)
Net increase in cash and cash equivalents		**163**	281
Cash and cash equivalents at the beginning of the period		**2,937**	2,656
Cash and cash equivalents at the end of the period	3.1	**3,100**	2,937

The accompanying notes form an integral part of these financial statements.

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

1.1 Reporting entity

Virgin Money Management Services Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales.

The Company is a wholly owned subsidiary of Virgin Money Holdings (UK) PLC whose ultimate parent company is Virgin Money UK PLC.

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

1.2 Basis of preparation

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

With effect from 3 November 2021, the financial year end of the Company was changed from 30 September to 31 March in order to include the last few months trading activity within this extended accounting period. This report covers the 18 month period to 31 March 2022. In the prior period annual report, the financial period end of the Company had been changed and shortened from 31 December to 30 September to align with the year-end of its ultimate parent company. Accordingly, the comparative period in this report is the 9 months to 30 September 2020 and as a result, the comparative figures stated in the statement of comprehensive income, statement of changes in equity, statement of cash flows and the related notes are not entirely comparable.

The financial information has been prepared under the historical cost convention. A summary of key accounting policies is set out in note 1.5.

1.3 Going concern

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

There have been no new external arrangements entered into during the period and in October 2021, the final monthly lease payment on the now closed Manchester lounge was made. Since then, the Company has effectively ceased trading with only residual winding down transactional activity ongoing. Subsequent to completion of these activities, it is intended that the Company will become dormant. There are no immediate plans however, to liquidate the Company and the Directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future, and at least 12 months from the approval of the financial statements. Accordingly, the Directors adopt the going concern basis in preparing the Annual report and financial statements.

1.4 New accounting standards and interpretations

New accounting standards and interpretations adopted
The Company has adopted no new or amended material International Accounting Standards Board (IASB) pronouncements in the current financial period.

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

New accounting standards and interpretations not yet adopted
The IASB has issued a number of minor amendments to IASs that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Company. These amendments are not expected to have a material impact for the Company and have therefore not been listed.

[(1)] As the Company's accounting period straddles 31 December 2020, the date the UK ceased to be subject to EU law, the 2021 published financial reports are required to follow EU adopted international accounting standards. From 1 April 2022, the Company will follow and refer only to UK adopted international accounting standards, with the UK Endorsement Board being the body responsible for providing authorisation for the use of new IASB standards, amendments or interpretations in the UK from 1 January 2021. As at 31 March 2022, there were no material endorsement disparities between the UK and EU.

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

1.5 Accounting policies

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

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements are presented in pounds Sterling (GBP), which is also the Company's presentation currency, rounded to the nearest thousand pounds (£'000) unless otherwise stated.

Revenue recognition

Revenue comprises recharges of expense and management fees to other Group companies. Revenue is recognised as the services are provided to the other Group companies, which is when the entity incurs the rechargeable costs in line with the Company's performance obligations under the Group service level agreements.

Taxation

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

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

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

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

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

Cash and cash equivalents

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

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Gains and losses on disposal of an asset are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised within other income in the statement of comprehensive income.

Depreciation is recognised in operating expenses and provided using the straight-line basis to allocate costs less residual values over estimated useful lives. This approach is taken since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

– Land and buildings	5 to 30 years
– Right-of-use assets	earlier of useful life or the end of the lease term
– Office equipment	5 years
– Computer hardware	4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. Depreciation is recognised within operating expenses in the income statement.

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

1.5 Accounting policies (continued)

Leases

The Company recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and any lease payments made at or before the lease commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The right-of-use asset is also reviewed for impairment with any subsequent impairment recognised in the statement of comprehensive income.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot readily be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset in a similar economic environment with similar terms and conditions. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Company's assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the right-of-use asset or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

In determining judgements on the lease term, the Directors consider all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Termination options are only included in the lease term if it is reasonably certain that the lease will not be terminated. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the Company.

The Company elected to apply the recognition exemptions for short-term leases (with a lease term of less than 12 months) and low value leases. Lease payments associated with such leases are recognised as an expense on a straight line basis over the term of the lease.

Financial instruments

Classification is based on the objectives of the Company's business model for managing its financial assets and the contractual cash flow characteristics of the instruments.

The Directors have assessed the Company's financial assets and concluded that all assets are held to collect contractual cash flows, and that those cash flows represent solely the payment of principal and interest (the "SPPI test") and are therefore classified at amortised cost.

All of the Company's financial liabilities are classified at amortised cost.

Both financial assets and financial liabilities are initially recognised at fair value including direct and incremental transaction costs. Subsequent recognition is at amortised cost using the effective interest method less any impairment provision for expected credit losses (for financial assets where material and recognised).

Provisions

Provisions for liabilities and charges are recognised when a legal or constructive obligation exists as a result of past events, it is probable that an outflow of economic benefits will be necessary to settle the obligation, and the obligation can be reliably estimated. Provisions for liabilities and charges are not discounted to the present value of their expected net future cash flows except where the time value of money is considered material.

Share capital

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

1.6 Critical accounting estimates and judgements

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

Notes to the financial statements (continued)

Section 2: Results for the period

2.1 Revenue

Revenue is attributable to one continuing activity, being the provision of management services to Group companies through service level agreement recharges. All revenue is derived from the UK.

2.2 Operating expenses

Operating expenses reflect all administration expenses incurred on behalf of Group companies that are recharged through service level agreements.

	18 months to 31 Mar 2022 £'000	9 months to 30 Sep 2020 £'000
Depreciation (note 3.4)	**-**	67
Other operating charges	**48**	41
	48	108

Auditor's remuneration

	18 months to 31 Mar 2022 £'000	9 months to 30 Sep 2020 £'000
Fees payable to the Company's auditors for the audit of the Company's accounts	**15**	15

No fees were paid to the Company's auditors, Ernst & Young LLP, for services other than the statutory audit of the Company.

2.3 Directors' remuneration

The Directors' remuneration is accounted for within the financial statements of Clydesdale Bank PLC.

None of the Directors were remunerated primarily for their services to the Company, and it is not possible to determine the proportion of remuneration paid by other Group entities that relates to the Company.

Notes to the financial statements (continued)

Section 2: Results for the period (continued)

2.4 Taxation

	18 months to 31 Mar 2022 £'000	9 months to 30 Sep 2020 £'000
Current tax		
Group relief receivable	-	77
Adjustment in respect of previous periods	22	-
Current tax credit	22	77
Deferred tax		
Current period	(493)	(74)
Adjustment in respect of previous periods	(3)	-
Effect of changes in tax rates	-	57
Deferred tax charge (note 3.3)	(496)	(17)
Tax (charge)/credit	(474)	60

Tax reconciliation
The tax on the Company's (loss)/profit before taxation differs from that which would arise using the standard weighted average rate of UK corporation tax of 19% (2020: 19%) as follows:

	18 months to 31 Mar 2022 £'000	9 months to 30 Sep 2020 £'000
(Loss)/profit before taxation	(17)	14
Tax credit/(charge) at standard tax rate of 19% (2020: 19%)	3	(3)
Factors affecting charge:		
Group relief not paid for	(496)	-
Adjustment in respect of previous periods	19	-
Transfer pricing adjustments	-	6
Impact of rate changes	-	57
Total tax (charge)/credit	(474)	60

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. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The change to the tax rate has no impact on the amount disclosed in the financial statements.

The cessation of the Company's activities entitled the company to claim a balancing allowance for the remaining values in its fixed asset pools. The recovery of the related deferred tax asset increased the Company's deferred tax charge accordingly. The balancing allowance also increased the current period tax losses available for surrender as group relief to other Group entities in the period. As the Company has chosen not to receive payment for the surrender of group relief, no current tax credit arises.

Notes to the financial statements (continued)

Section 3: Assets and liabilities

3.1 Cash and cash equivalents

	31 Mar 2022	30 Sep 2020
	£'000	£'000
Bank balances	3,100	2,937
Cash and cash equivalents in the statement of cash flows	3,100	2,937

The lowest external rating of the three rating agencies, Moody's, Standard & Poor's Rating Services and Fitch Rating, is used to assess the credit quality of cash and cash equivalents. This is set out in the table below:

Credit quality of cash and cash equivalents	31 Mar 2022	30 Sep 2020
	£'000	£'000
A+ rating (2020: A+ rating)	3,100	2,937

3.2 Amounts owed by/(to) group undertakings

	31 Mar 2022 £'000	30 Sep 2020 £'000
Trading amounts owed by other group undertakings	-	135
Group relief and other amounts receivable	-	119
Amounts owed by group undertakings	-	254
Trading amounts owed to other group undertakings	73	-
Amounts owed to group undertakings	73	-

3.3 Deferred tax asset

A deferred tax asset is recognised on the basis that the temporary difference will reverse in future periods to generate tax credits that will reduce future taxable income or be utilised within other Group companies. It is the Group's general policy that members pay for group relief thereby recognising the credit in the originating entity.

	31 Mar 2022	30 Sep 2020
	£'000	£'000
Capital allowances	-	493
Transitional adjustment – IFRS 16	-	3
Total deferred tax asset	-	496

Deferred taxation reconciliation

	31 Mar 2022	30 Sep 2020
	£'000	£'000
Opening deferred tax asset	496	513
Deferred tax charge (note 2.4)	(496)	(17)
Closing deferred tax asset	-	496

In the prior period, the deferred tax asset was based on the tax rate in force at 30 September 2020 of 19%. There are no unrecognised deferred tax assets at 31 March 2022 (30 September 2020: £Nil).

Notes to the financial statements (continued)

Section 3: Assets and liabilities (continued)

3.4 Property, plant and equipment

	Land and buildings £'000	Computer hardware £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2020	6,274	7,712	1,394	15,380
Disposals	(1,868)	-	-	(1,868)
Write-off	-	(7,712)	(1,394)	(9,106)
At 30 September 2020	4,406	-	-	4,406
Disposals	(4,406)	-	-	(4,406)
At 31 March 2022	-	-	-	-
Accumulated depreciation and impairment				
At 1 January 2020	6,046	7,712	1,394	15,152
Depreciation charge for the period	67	-	-	67
Disposals	(1,707)	-	-	(1,707)
Write-off	-	(7,712)	(1,394)	(9,106)
At 30 September 2020	4,406	-	-	4,406
Disposals	(4,406)	-	-	(4,406)
At 31 March 2022	-	-	-	-
As at 31 March 2022	-	-	-	-
As at 30 September 2020	-	-	-	-

3.5 Trade and other payables

	31 Mar 2022 £'000	30 Sep 2020 £'000
Lease liabilities (note 3.6)	-	124
Trade and other payables	-	124

Notes to the financial statements (continued)

Section 3: Assets and liabilities (continued)

3.6 Leases

Amounts recognised in the statement of comprehensive income

The income statement includes the following amounts related to leases:

	18 months to 31 Mar 2022	9 months to 30 Sep 2020
	£'000	£'000
Finance costs		
Interest expense	1	5
Operating expenses		
Depreciation and impairment of right-of-use assets	-	67
Total	**1**	72

Total cash outflow for leases in the period was £Nil (2020: £160k).

Amounts recognised on the balance sheet

	31 Mar 2022	30 Sep 2020
	£'000	£'000
Lease liabilities (Trade and other payables (note 3.5))	-	124

Future undiscounted minimum payments under lease liabilities were as follows:

	31 Mar 2022	30 Sep 2020
Amounts falling due	£'000	£'000
Within 1 year	-	150
Between 1 and 5 years	-	13
	-	163

3.7 Provisions for liabilities and charges

	31 Mar 2022	30 Sep 2020
	£'000	£'000
Opening balance	81	164
(Credit)/charge to the income statement	(45)	-
Utilised	-	(83)
Closing balance	**36**	81

A provision for restructuring costs is held to cover dilapidations and void costs from the closure of the Manchester lounge.

Notes to the financial statements (continued)

Section 4: Capital

4.1 Issued capital

Share capital	31 Mar 2022 Number of shares	31 Mar 2022 £'000	30 Sep 2020 Number of shares	30 Sep 2020 £'000
Allotted, called up and fully paid ordinary shares of £1 each	**1,000,000**	**1,000**	1,000,000	1,000

The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

Dividends

No dividends were declared by the Company in the current or prior period.

Notes to the financial statements (continued)

Section 5: Other notes

5.1 Related party transactions

	Transaction value		Balance outstanding	
	18 months to 31 Mar 2022	9 months to 30 Sep 2020	**31 Mar 2022**	30 Sep 2020
	£'000	£'000	**£'000**	£'000
Amounts owed by other group undertakings	**57**	254	**-**	254
Amounts owed to other group undertakings	**61**	-	**61**	-

Recharges and trading balances with Group undertakings are a result of Virgin Money Management Services Limited acting as a central services company and incurring operating costs on behalf of the Group.

No transactions with Directors or Key Management Personnel occurred during the period (2020: None).