



# The Virgin Money Bond Fund

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**Final Report and Financial Statements**  
**For the year ended 1 October 2023**

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# Management and professional services

For the year ended 1 October 2023

## Manager (the 'Manager')

Virgin Money Unit Trust Managers Limited  
Jubilee House  
Gosforth  
Newcastle upon Tyne  
NE3 4PL

Directors:

J. Byrne  
H. Chater  
D. Mouille  
F. Murphy  
M. Phibbs  
D. Taylor  
S. Wemyss

Telephone 03456 10 20 30\*

Authorised and regulated by the Financial Conduct Authority.

## Investment Adviser

abrdn Investments Limited#  
10 Queen's Terrace  
Aberdeen  
Aberdeenshire  
AB10 1XL

Authorised and regulated by the Financial Conduct Authority.

## Registrar

SS&C Financial Services Europe Limited  
SS&C House  
St Nicholas Lane  
Basildon  
Essex  
SS15 5FS

## Trustee

Citibank UK Limited  
Citigroup Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## Independent Auditor

KPMG LLP  
20 Castle Terrace  
Edinburgh  
EH1 2EG

\* Calls to 03 numbers cost the same as calls to 01 or 02 numbers and they are included in inclusive minutes and discount schemes in the same way. Calls may be monitored and recorded.

# The Investment Adviser of the Fund has changed its name from Aberdeen Asset Managers Limited to abrdn Investments Limited with effect from 25th November 2022.

# Manager's investment report

For the year ended 1 October 2023

## Investment Objective, Policy and Strategy

The Virgin Money Bond Fund ("the Fund") changed its name from the Virgin Money Bond and Gilt Fund on 1 December 2022. The following section reflects the strategy in place for the Fund since that date. The Fund aims to provide a total return (income and capital growth) over the longer term (5 years or more) by investing mainly in sterling denominated bonds. The Fund aims to match or beat the performance of its benchmark (50% the FTSE 5-15 Year Gilt Index and 50% the ICE Bank of America Merrill Lynch 5-15 Year Non-Gilt Index), after charges, measured over periods of three years or more.

The Fund will invest in:

- > corporate bonds
- > bonds issued by governments and government agencies
- > bonds issued by supranational organisations, such as the European Investment Bank.

At least 80% of the Fund's assets will be denominated in sterling or hedged back to sterling. Investment will mainly be directly in individual bonds, but the Fund can also invest up to 20% in other investment funds, which themselves invest in bonds.

Whilst the benchmark (see Objective) provides a starting point, the Investment Adviser has discretion over which bonds to invest in. The Fund can also invest in bonds which aren't part of the benchmark, including non-investment grade bonds (as rated by the leading credit rating agencies). Non-investment grade bonds, often called 'high-yield' bonds, won't exceed 10% of the value of the Fund.

The amount a Fund's returns differ from its benchmark is known as tracking error. It's calculated as the standard deviation of the difference in annual returns. This is low (0% to 0.5%) for index-tracking funds and higher (4%+) for active stock-picking funds.

The Fund is expected to have relatively low tracking error of 1-3%, meaning returns will differ from the benchmark, but not by a large amount.

One way in which the Fund will differ from its benchmark is due to some exclusions and Environmental, Social and Governance (ESG) considerations.

- > The Fund won't invest in bonds issued by companies that make more than 5% of their earnings from the manufacture or sale of tobacco products, extraction or processing of thermal coal or unconventional fossil fuels (such as oil sands), and the manufacture of controversial weapons. It also excludes bonds issued by companies that violate the UN Global Compact principles on human rights, labour, the environment and anti-corruption.
- > Using third party data and in-house research, the Fund will compare companies, against others in their industry and/or with similar credit rating / maturity profiles, on a range of ESG measures. Based on this analysis, the Fund will either not invest in companies within the benchmark or increase / decrease the amount it does invest. In this way, we expect the Fund to have a better ESG rating and lower carbon footprint than the benchmark itself.
- > The Fund will engage with companies to encourage better ESG practices and as part of the transition to a low carbon economy. You can read about our 'investor engagement policy' on [virginmoney.com](http://virginmoney.com)

The Fund seeks to be fully invested at all times but may hold cash (up to 5%) for cash flow and transactional purposes as deemed appropriate to manage costs.

The Fund may use derivatives to reduce trading costs and generally for the efficient management of the Fund, for example managing money coming in and out of the Fund. The Fund will not use derivatives for speculative purposes or to increase the risk profile of the Fund.

## Trust Status

The Fund is an authorised unit trust scheme under S243 of the Financial Services and Markets Act 2000 and is categorised as a UK UCITS<sup>1</sup> scheme under the Collective Investment Schemes Sourcebook ('the COLL Rules').

<sup>1</sup> Authorised in accordance with the Undertakings in Collective Investments in Transferable Securities (UK UCITS) Directive.

# Manager's investment report

For the year ended 1 October 2023

## Financial Instruments

In pursuing its investment objective set out above, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations. Further details of the risks that arise in connection with financial instruments and how these risks are managed are set out in note 14 of the financial statements.

Unit Trust schemes are not permitted by the Regulations<sup>2</sup> to enter into a transaction if its purpose could reasonably be regarded as speculative. The Fund's use of financial instruments satisfies these requirements and no speculative trading in financial instruments is undertaken.

## Risk and Reward Profile

The Fund's Synthetic Risk and Reward Indicator ('SRRI') at the reporting date was 4 on a scale of 1 (lower) to 7 (higher). The SRRI is a backward looking measure of volatility (how much a fund goes up and down by) over the previous five years. It is a requirement for all funds to include this within its Key Investor Information Document.

As interest rates have risen, bonds have fallen in value, and this has contributed to higher volatility. Over the years, we expect the Virgin Money Bond Fund to oscillate between a risk rating of 3 or 4, depending on market movements. A change in SRRI rating does not mean a Fund is being managed in a different way, but just that the assets the Fund invests in have been more / less volatile over the preceding five years, which may or may not continue.

For further information, please refer to the Fund's Key Investor Information Document ('KIID').

## Distribution

The Fund receives interest income from the corporate bonds and government gilts held in its portfolio. Every six months, income received is netted off against expenses incurred. Any net balance is distributed two months after the end of the period.

The distributions for each unit class outlined below reflect differences in both the net assets of the Fund represented by each class and their operating charges.

### Income Unit Class

The final distribution for the year ended 1 October 2023 for the Income Unit Class will be 1.8072p net per unit paid on 1 December 2023.

The total distribution for the year is 2.9810p net per unit.

### AE Income Unit Class<sup>3</sup>

The final distribution for the year ended 1 October 2023 for the AE Income Unit Class will be 1.4357p net per unit paid on 1 December 2023.

The total distribution for the year is 2.3685p net per unit.

## Fund Performance

For the year ended 1 October 2023, the net asset value of each unit increased by 0.93%<sup>4</sup> from 101.32p to 102.26p.

The Fund is managed to have relatively low tracking error<sup>5</sup> of 1-3% from the composite benchmark, meaning returns are not expected to differ from the benchmark by a large amount. The tracking error at the end of the period was 0.14%. This is lower than desired and we expect tracking error to increase to within the managed range in the next financial year.

<sup>2</sup> The Regulations derive from UK and EU financial services legislation including the Financial Services and Markets Act 2000, the UCITS Directive and Financial Conduct Authority (FCA) rules, principally COLL.

<sup>3</sup> The Auto-Enrolment (AE) Income Unit Class is only available for investment to Virgin Money Nominees Limited on behalf of Virgin Stakeholder Pension Scheme auto-enrolment members. This unit class is not available to retail customers.

<sup>4</sup> Based on net asset value of the Income Unit Class.

<sup>5</sup> Tracking error is calculated as the deviation of returns excluding annual management charges for the year. The difference in return can be attributed, among other things, to a number of managed and non-managed factors, including small differences in weightings resulting from trading activity; and differences between the Fund's and the composite index vendors' valuation methodologies.

# Manager's investment report

For the year ended 01 October 2023

## Markets overview from 2 October 2022 to 1 October 2023

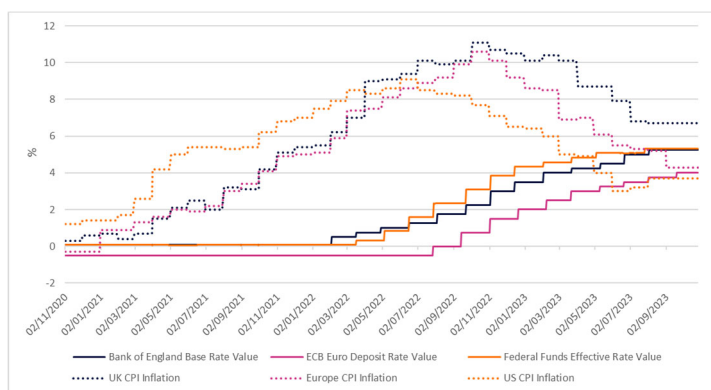
- Other than a brief recovery in January 2023, global bonds remained weak over the 12 months under review. In addition to some volatility due to the US banking sector crisis, investor focus remained on interest-rate policies in major markets. While headline inflation declined across most developed economies, core inflation (excluding food and energy categories) persisted at levels above central bank targets. This resulted in the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England (BoE) all continuing to raise rates. The economic backdrop was mixed, with data surprising to the upside in China and Europe, disappointing in the UK, and proving resilient in the US.

- Sterling investment-grade corporate bonds generated positive returns over the 12 months, in an overall mixed environment for credit. A backdrop of sharply rising interest rates, stubbornly high annual inflation and a worsening economic outlook created challenging market conditions. However, growing expectations that global inflation pressures may be peaking, leading to hopes that the current cycle of interest-rate rises may be nearing its end, then helped corporate and shorter dated bonds to perform better in the second half of the period.

## Inflation eases but remains above target levels:

- Annual inflation in the UK surprisingly edged down to 6.7% in August, with core inflation also coming in below expectations at 6.2%. However, this still remained well above the BoE's 2% target, prompting the Bank to raise rates by 0.25% to 5.25%.
- The Fed adopted a higher for longer interest stance. Its favoured measure of inflation, the core Personal Consumption Expenditures Price Index, fell to an annual rate of 3.7% in September as expected, but remained above the 2% target. The Fed then increased the target range for the Fed funds rate by 0.25% in July, taking it to 5.25–5.50%.
- In Europe, annual inflation edged down to 5.2% in August, but also remained well above the ECB's 2% target. Therefore, the ECB raised interest rates by 0.25% at both its July and September meetings.

## Global Interest Rates vs Inflation



## Bond markets end flat in a tough and volatile environment:

- Global government bonds fell over the period as major central banks continued to raise interest rates to combat still-elevated inflation. UK Gilts were also weaker, amid persistently high inflation and weak domestic data, leading to the BoE surprisingly raising its base rate by 0.50% in June and another 0.25% in August.
- However, concerns about slowing global economic growth, exacerbated by fears of a credit crunch after the US regional banking crisis, provided some support to global government bonds.

# Manager's investment report

For the year ended 1 October 2023

## **Assessment of Value**

In 2017 the Financial Conduct Authority (FCA) published the final Asset Management Market Study. This introduced (among other reforms) new governance rules with the aim of enhancing duty of care and ensuring the industry acts in investors' best interests. The rules were outlined in the FCA policy statement PS18/8 and came into effect from 30 September 2019. As a result, Virgin Money Unit Trust Managers Limited is required to perform a detailed annual assessment, determining whether our funds are "providing value to investors", which has previously been included in the Fund's annual report and accounts. From 2023 the resulting findings for all of the funds managed by Virgin Money Unit Trust Managers Limited are published on a consolidated basis, and can be found on the Virgin Money UK website.

# Comparative tables

As at 1 October 2023

Change in net assets per unit for the year ending	Income Units			AE Income Units		
	01 Oct 23 (p)	01 Oct 22 (p)	01 Oct 21 (p)	01 Oct 23 (p)	01 Oct 22 (p)	01 Oct 21 (p)
Opening net asset value per unit	101.32	131.57	137.60	80.51	104.55	109.31
Return before operating charges	4.56	(28.47)	(4.28)	3.62	(22.61)	(3.36)
Operating charges	(0.64)	(0.74)	(0.81)	(0.51)	(0.60)	(0.65)
<b>Return after operating charges</b>	<b>3.92</b>	<b>(29.21)</b>	<b>(5.09)</b>	<b>3.11</b>	<b>(23.21)</b>	<b>(4.01)</b>
Distributions on income units	(2.98)	(1.04)	(0.94)	(2.37)	(0.83)	(0.75)
Closing net asset value per unit	102.26	101.32	131.57	81.25	80.51	104.55
After direct transaction costs of :	-	-	-	-	-	-
<b>Performance</b>						
Return after operating charges (%)*	3.87	(22.20)	(3.70)	3.86	(22.20)	(3.67)
<b>Other information</b>						
Closing net asset value (£)	185,154,391	204,310,361	336,708,905	305,849	403,057	909,414
Closing number of units	181,067,399	201,656,729	255,917,940	376,411	500,658	869,839
Operating charges (%)‡	0.60	0.60	0.60	0.60	0.60	0.60
Direct transaction costs (%)	-	-	-	-	-	-
<b>Prices<sup>^</sup></b>						
Highest price (p)	113.20	134.40	139.70	89.97	106.80	111.00
Lowest price (p)	98.74	100.60	131.90	78.46	79.90	104.80

<sup>^</sup>Based on the Published price.

\*The Return after operating charges is calculated as the 'Return after operating charges' per unit divided by the 'Opening net asset value' per unit.

‡The operating charges are the annualised total expenses paid by the Fund in the year, expressed as a percentage of its average net assets.



# Portfolio statement

As at 1 October 2023

Security	Holdings	Market Value £'000	% of Net Assets
<b>GILTS (50.15%*)</b>		<b>92,488</b>	<b>49.87</b>
UK Treasury 0.125% 31/01/2028	11,865,400	9,917	5.35
UK Treasury 6% 07/12/2028	3,167,900	3,411	1.84
UK Treasury 0.5% 31/01/2029	32,560,700	26,609	14.35
UK Treasury 0.375% 22/10/2030	8,892,300	6,792	3.66
UK Treasury 0.25% 31/07/2031 <sup>†</sup>	9,369,000	6,858	3.70
UK Treasury 1% 31/01/2032	20,035,800	15,345	8.27
UK Treasury 3.25% 31/01/2033	632,200	575	0.31
UK Treasury 0.875% 31/07/2033	13,985,200	10,035	5.41
UK Treasury 0.625% 31/07/2035	2,629,100	1,693	0.91
UK Treasury 1.75% 07/09/2037	14,759,900	10,379	5.60
UK Treasury 3.75% 29/01/2038	971,000	874	0.47
<b>EUROSTERLING-CORPORATE (48.52%*)</b>		<b>93,365</b>	<b>50.34</b>
Affinity Water Finance 4.5% 31/03/2036	740,000	633	0.34
America Movil 5.75% 28/06/2030	620,000	622	0.34
America Movil 4.948% 22/07/2033	760,000	714	0.39
Anglian Water Services Financing 2.75% 26/10/2029	1,000,000	846	0.46
Anglian Water Services Financing 5.875% 20/06/2031	584,000	576	0.31
Annington Funding 3.685% 12/07/2034	750,000	572	0.31
Arqiva Financing 5.34% 30/12/2037	456,000	423	0.23
Associated British Foods 2.5% 16/06/2034	450,000	344	0.19
Assura Financing 1.5% 15/09/2030	280,000	208	0.11
AT&T 4.375% 14/09/2029	1,450,000	1,334	0.72
AT&T 5.2% 18/11/2033	300,000	277	0.15
Athene Global Funding 1.875% 30/11/2028	700,000	556	0.30
Australia & New Zealand Banking 1.809% 16/09/2031	1,000,000	854	0.46
Aviva 4.375% 12/09/2049	1,200,000	1,042	0.56
Aviva 5.125% 04/06/2050	1,300,000	1,149	0.62
Banco Santander 4.75% 30/08/2028	700,000	666	0.36
Bank of America 8.125% 02/06/2028	900,000	950	0.51
Bank of America 3.584% 27/04/2031	610,000	528	0.28

# Portfolio statement

As at 1 October 2023

Security	Holdings	Market Value £'000	% of Net Assets
Banque Federative du Credit Mutuel 1.875% 26/10/2028	800,000	666	0.36
Barclays 6.369% 31/01/2031	1,000,000	977	0.53
Barclays 8.407% 14/11/2032	1,300,000	1,325	0.71
Berkeley 2.5% 11/08/2031	750,000	503	0.27
BNP Paribas 2.875% 24/02/2029	1,200,000	1,020	0.55
BNP Paribas 1.25% 13/07/2031	1,100,000	775	0.42
British Telecommunications 6.375% 23/06/2037	400,000	392	0.21
Broadgate Financing 4.851% 05/04/2033	197,349	188	0.10
Broadgate Financing 5.098% 05/04/2035	214,783	188	0.10
Cadent Finance 2.125% 22/09/2028	750,000	634	0.34
Cadent Finance 5.75% 14/03/2034	333,000	319	0.17
Canary Wharf Finance II 6.455% 22/10/2033	206,885	204	0.11
Canary Wharf Finance II 5.952% 22/10/2037	400,000	379	0.20
Church Commissioners for England 3.25% 14/07/2032	570,000	491	0.26
Citigroup 4.5% 03/03/2031	1,100,000	973	0.52
Clarion Funding 2.625% 18/01/2029	334,000	287	0.16
Comcast 1.5% 20/02/2029	610,000	504	0.27
CPPIB Capital 1.125% 14/12/2029	780,000	625	0.34
Credit Agricole 4.875% 23/10/2029	700,000	665	0.36
CTRL Section 1 Finance 5.234% 02/05/2035	604,190	607	0.33
Deutsche Bank 6.125% 12/12/2030	800,000	743	0.40
Deutsche Telekom International Finance 2.25% 13/04/2029	800,000	685	0.37
Digital Stout Holding 3.75% 17/10/2030	850,000	715	0.39
E.ON International Finance 5.875% 30/10/2037	800,000	769	0.41
Eastern Power Networks 2.125% 25/11/2033	500,000	361	0.19
Electricite de France 6.125% 02/06/2034	750,000	723	0.39
Electricite de France 5.5% 27/03/2037	500,000	444	0.24
Enel Finance International 2.875% 11/04/2029	900,000	773	0.42
Engie 7% 30/10/2028	750,000	794	0.43
ENW Finance 4.893% 24/11/2032	479,000	447	0.24
European Investment Bank 3.875% 08/06/2037	1,500,000	1,352	0.73
Eversholt Funding 6.697% 22/02/2035	657,143	667	0.36

# Portfolio statement

As at 1 October 2023

Security	Holdings	Market Value £'000	% of Net Assets
Experian Finance 3.25% 07/04/2032	800,000	673	0.36
Fidelity National Information Services 2.25% 03/12/2029	750,000	611	0.33
Gatwick Funding 4.625% 27/03/2034	1,000,000	872	0.47
GlaxoSmithKline Capital 5.25% 19/12/2033	892,000	886	0.48
Goldman Sachs 3.625% 29/10/2029	1,190,000	1,060	0.57
Goldman Sachs 1.875% 16/12/2030	720,000	550	0.30
Grainger 3% 03/07/2030	700,000	547	0.30
Great Rolling Stock Co 6.875% 27/07/2035	417,956	428	0.23
Greene King Finance 4.0643% 15/03/2035	598,347	504	0.27
Gwynt y Mor OFTO 2.778% 17/02/2034	693,029	577	0.31
Hammerson 6% 23/02/2026	900,000	862	0.46
Heathrow Funding 2.75% 13/10/2031	1,200,000	1,004	0.54
HSBC 6.8% 14/09/2031	850,000	857	0.46
ING Groep 6.25% 20/05/2033	800,000	761	0.41
Integrated Accommodation Services 6.48% 31/03/2029	245,656	249	0.13
International Bank for Reconstruction & Development 5.75% 07/06/2032	357,000	383	0.21
JPMorgan Chase 1.895% 28/04/2033	1,190,000	876	0.47
Juturna European Loan Conduit No 16 5.0636% 10/08/2033	587,031	564	0.30
Koninklijke KPN 5.75% 17/09/2029	1,200,000	1,184	0.64
La Banque Postale 5.625% 21/09/2028	600,000	576	0.31
Land Securities Capital Markets 2.399% 08/02/2031	850,000	727	0.39
Legal & General 5.375% 27/10/2045	1,000,000	970	0.52
Legal & General 4.5% 01/11/2050	800,000	679	0.37
Lloyds Banking 6.625% 02/06/2033	600,000	583	0.31
Lloyds Banking 2.707% 03/12/2035	1,800,000	1,333	0.72
Logicor Financing 2.75% 15/01/2030	1,100,000	829	0.45
London & Quadrant Housing Trust 4.625% 05/12/2033	800,000	725	0.39
McDonald's 2.95% 15/03/2034	1,100,000	867	0.47
Meadowhall Finance 4.986% 12/07/2037	334,556	296	0.16
Morgan Stanley 5.789% 18/11/2033	800,000	774	0.42
Motability Operations 5.625% 29/11/2030	360,000	365	0.20
Motability Operations 5.625% 11/09/2035	503,000	497	0.27

# Portfolio statement

As at 1 October 2023

Security	Holdings	Market Value £'000	% of Net Assets
National Grid Electricity Transmission 2.75% 06/02/2035	1,600,000	1,167	0.63
NatWest 3.619% 29/03/2029	1,060,000	941	0.51
NatWest 3.622% 14/08/2030	1,100,000	1,032	0.56
NatWest 5.125% Perpetual	900,000	742	0.40
Network Rail Infrastructure Finance 4.75% 29/11/2035	700,000	685	0.37
New York Life Global Funding 0.75% 14/12/2028	630,000	504	0.27
NewRiver 3.5% 07/03/2028	610,000	517	0.28
Northern Electric Finance 5.125% 04/05/2035	320,000	298	0.16
Northern Powergrid Yorkshire 4.375% 05/07/2032	450,000	407	0.22
Northumbrian Water Finance 4.5% 14/02/2031	500,000	449	0.24
Northumbrian Water Finance 5.625% 29/04/2033	1,250,000	1,183	0.64
Notting Hill Genesis 2.875% 31/01/2029	200,000	173	0.09
Notting Hill Genesis 3.75% 20/12/2032	420,000	360	0.19
Octagon Healthcare Funding 5.333% 31/12/2035	228,871	224	0.12
Optivo Finance 2.857% 07/10/2035	370,000	272	0.15
Orsted 2.5% 18/02/3021	1,100,000	701	0.38
Orsted 4.875% 12/01/2032	1,000,000	923	0.50
Pension Insurance 4.625% 07/05/2031	1,400,000	1,156	0.62
Phoenix 5.625% 28/04/2031	1,200,000	1,055	0.57
Realty Income 1.75% 13/07/2033	890,000	602	0.32
Santander UK 7.098% 16/11/2027	750,000	756	0.41
Santander UK 3.875% 15/10/2029	970,000	878	0.47
Scottish Hydro Electric Transmission 2.25% 27/09/2035	600,000	416	0.22
Severn Trent Utilities Finance 2.75% 05/12/2031	900,000	719	0.39
Sky 4% 26/11/2029	260,000	241	0.13
Societe Generale 6.25% 22/06/2033	400,000	402	0.22
South East Water Finance 5.5834% 29/03/2029	1,200,000	1,141	0.62
South Eastern Power Networks 6.375% 12/11/2031	690,000	715	0.39
Southern Electric Power Distribution 5.5% 07/06/2032	600,000	593	0.32
Standard Chartered 5.125% 06/06/2034	750,000	653	0.35
Swedbank 7.272% 15/11/2032	1,000,000	990	0.53
Telefonica Emisiones 5.445% 08/10/2029	1,500,000	1,464	0.79

# Portfolio statement

As at 1 October 2023

Security	Holdings	Market Value £'000	% of Net Assets
Telereal Securitisation 1.3657% 10/12/2031	252,612	215	0.12
Telereal Securitisation 5.3887% 10/12/2033	201,172	196	0.11
Telereal Securitisation 8.2887% 10/12/2033	700,000	632	0.34
Telereal Securitisation 3.5625% 10/12/2036**	350,000	298	0.16
Telereal Securitisation 3.5625% 10/12/2036	350,000	297	0.16
Tesco Property Finance 4 5.8006% 13/10/2040	643,697	600	0.32
Thames Water Utilities Finance 2.875% 03/05/2027	250,000	187	0.10
Thames Water Utilities Finance 6.75% 16/11/2028	750,000	724	0.39
Thames Water Utilities Finance 5.125% 28/09/2037	750,000	612	0.33
Time Warner Cable 5.75% 02/06/2031	700,000	651	0.35
Trafford Centre Finance 6.5% 28/07/2033	233,066	228	0.12
Tritax Big Box 3.125% 14/12/2031	950,000	765	0.41
UBS 2.25% 09/06/2028	1,300,000	1,118	0.60
UBS 1.875% 03/11/2029	840,000	683	0.37
United Utilities Water Finance 2.625% 12/02/2031	1,030,000	834	0.45
United Utilities Water Finance 2% 03/07/2033	788,000	564	0.30
United Utilities Water Finance 5.75% 26/06/2036	472,000	458	0.25
Virgin Money UK 4% 25/09/2026^	800,000	749	0.40
Vodafone 5.9% 26/11/2032	2,100,000	2,106	1.14
Wellcome Trust Finance 4.625% 25/07/2036	590,000	563	0.30
Whitbread 3% 31/05/2031	480,000	376	0.20
Workspace 2.25% 11/03/2028	1,100,000	851	0.46
Yorkshire Water Finance 6.6011% 17/04/2031	900,000	910	0.49
Yorkshire Water Services Finance 5.5% 28/05/2037	200,000	182	0.10
Zurich Finance Ireland Designated Activity 5.125% 23/11/2052	1,190,000	1,049	0.57

# Portfolio statement

As at 1 October 2023

Security	Holdings	Market Value £'000	% of Net Assets
<b>DERIVATIVES (0.00%*)</b>		<b>(172)</b>	<b>(0.09)</b>
<b>Futures</b>			
10-Year Long Gilt Futures December 2023	184	(110)	(0.06)
US Treasury 10 Year Note Ultra Futures December 2023	26	(62)	(0.03)
<b>Portfolio of investments</b>		<b>185,681</b>	<b>100.12</b>
<b>Net other liabilities (1.33%*)‡</b>		<b>(221)</b>	<b>(0.12)</b>
<b>Net assets</b>		<b>185,460</b>	<b>100.00</b>

\*Comparative figures shown in brackets relate to percentage of total net assets at 1 October 2022.

\*\*Dual listed security.

† As at 1 October 2023, these securities were being used in stock lending arrangements.

^ This bond is issued by Virgin Money UK, a related party to Virgin Unit Trust Managers Limited.

‡ Prior year figure was Net other assets.

## Credit Ratings of Investments

	Market Value £'000	% of Net Assets
AAA	3,111	1.68
AA	97,727	52.69
A	24,394	13.16
BBB	58,991	31.80
BB	1,630	0.88
Futures	(172)	(0.09)
	<b>185,681</b>	<b>100.12</b>

## Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and the identity of counterparties as at 1 October 2023 was as follows:

Counterparty	Value of Exposure	Value of Exposure
	£'000 1 Oct 23	£'000 1 Oct 22
Bank of America Securities	(172)	(3)

# Top purchases and sales of investments

For the year ended 1 October 2023

Purchases	Cost £'000
UK Treasury 0.5% 31/01/2029	29,564
UK Treasury 0.375% 22/10/2030	14,712
UK Treasury 6% 07/12/2028	14,054
UK Treasury 1% 31/01/2032	13,472
UK Treasury 0.875% 31/07/2033	9,105
UK Treasury 0.125% 31/01/2028	7,194
UK Treasury 1.75% 07/09/2037	6,847
UK Treasury 4.25% 07/06/2032	5,076
European Investment Bank 3.875% 08/06/2037	1,879
Tesco Corporate Treasury Services 1.875% 02/11/2028	1,744
Telefonica Emisiones 5.445% 08/10/2029	1,525
Vodafone 5.9% 26/11/2032	1,519
AT&T 4.375% 14/09/2029	1,401
Lloyds Banking 1% 03/12/2035	1,385
Barclays 8.407% 14/11/2032	1,366
Barclays 6.369% 31/01/2031	1,315
Northumbrian Water Finance 5.625% 29/04/2033	1,312
UK Treasury 4.25% 07/12/2027	1,276
National Grid Electricity Transmission 2.75% 06/02/2035	1,265
Koninklijke KPN 5.75% 17/09/2029	1,230
<b>Other purchases</b>	<b>89,949</b>
<b>Total for the year</b>	<b>207,190</b>

The above constitutes all purchases of investments in the year.

# Top purchases and sales of investments

For the year ended 1 October 2023

Sales	Proceeds £'000
UK Treasury 6% 07/12/2028	15,558
UK Treasury 4.25% 07/06/2032	15,091
UK Treasury 0.375% 22/10/2030	14,600
UK Treasury 4.75% 07/12/2030	10,872
UK Treasury 4.5% 07/09/2034	9,545
UK Treasury 0.875% 22/10/2029	9,255
UK Treasury 4.25% 07/12/2027	9,186
UK Treasury 1.625% 22/10/2028	8,583
UK Treasury 4.25% 07/03/2026	8,356
UK Treasury 0.5% 31/01/2029	5,721
UK Treasury 0.625% 31/07/2035	3,739
Kreditanstalt fuer Wiederaufbau 6% 07/12/2028	3,687
UK Treasury 0.125% 31/01/2028	3,056
European Investment Bank 6% 07/12/2028	2,983
European Investment Bank 5.625% 07/06/2032	2,375
Tesco Corporate Treasury Services 1.875% 02/11/2028	1,786
Kreditanstalt fuer Wiederaufbau 5.75% 07/06/2032	1,782
European Investment Bank 3.875% 08/06/2037	1,562
International Bank for Reconstruction & Development 1% 21/12/2029	1,521
Bank of America 7% 31/07/2028	1,415
<b>Other sales</b>	<b>96,959</b>
<b>Total for the year</b>	<b>227,632</b>

The above constitutes all sales of investments in the year.



# Securities Financing Transactions (SFTs) (unaudited)

For the year ended 1 October 2023

The Securities Financing Transactions Regulation was introduced to provide greater transparency to unitholders regarding a fund's dealings in stock lending and total return swap transactions. The Regulation sets out additional information that Managers who engage in SFTs must disclose. The Fund undertakes stock lending transactions but does not employ total return swaps.

The Manager is permitted to generate additional income for the benefit of the Fund, and for unitholders, by entering into stock lending transactions, only where there is an acceptable degree of risk. Income is earned from a stock lending programme administered on the Fund's behalf by State Street Bank and Trust (SSBT), which lends a proportion of assets from the Fund to third parties who pay a fee to take those assets on loan for a period. In return for the loan, the third party also provides collateral of at least 100% of the value of the assets on loan, which is assessed and adjusted on a daily basis by SSBT. At the end of the loan period, the third party borrower returns the assets on loan. The Manager does not make a profit from these transactions.

The information provided below is as at 1 October 2023, unless stated otherwise.

## Global data

Proportion of securities on loan	£'000	%
Total lendable assets excluding cash and cash equivalents	182,194	
Securities on loan	518	0.28

Assets engaged in SFTs	£'000	%
Fund assets under management	189,221	
Absolute value of assets engaged in securities lending	518	0.27

## Concentration data

(a) Top issuers of collateral provided to the Fund by value received	£'000
United Kingdom Gilt	271
United Kingdom Inflation-Linked Gilt	218
Republic of Austria Government Bond	36
French Republic Government Bond OAT	17
Australia Government Bond	4

(b) Top counterparties by name and value of outstanding transactions	£'000
Merrill Lynch	518

# Securities Financing Transactions (SFTs) (unaudited)

For the year ended 1 October 2023

## Aggregate transaction data

### Type, quality and currency of collateral received

Type	Quality	Currency	£'000
Fixed Income	Investment Grade	Australian dollar	4
Fixed Income	Investment Grade	Euro	53
Fixed Income	Investment Grade	Sterling	489

### Maturity tenor of collateral received (remaining period to maturity)

Type	Less than one day £'000	One day to one week £'000	One week to one month £'000	One to three months £'000	Three months to one year £'000	Above one year £'000	Open maturity £'000	Total £'000
Securities lending	-	-	-	-	31	515	-	546

### Counterparty details

Type	Countries of counterparty establishment	Settlement and clearing	£'000
Securities lending	United Kingdom	Bi-lateral	546

### Maturity tenor of SFTs (remaining period to maturity)

Type	Less than one day £'000	One day to one week £'000	One week to one month £'000	One to three months £'000	Three months to one year £'000	Above one year £'000	Open maturity £'000	Total £'000
Securities lending	-	-	-	-	-	-	518	518

## Re-use of collateral

The Fund does not engage in re-use of collateral.

# Securities Financing Transactions (SFTs) (unaudited)

For the year ended 1 October 2023

## Safekeeping of collateral received

Names of custodians safekeeping collateral and value held	£'000
State Street	546
Number of custodians safekeeping collateral	1

## Safekeeping of collateral granted

The Fund does not borrow stock from counterparties: therefore, no collateral has been granted.

## Return and cost for the year ended 1 October 2023

	Collective investment undertaking	Manager of collective investment undertaking	Third parties (e.g. lending agent)	Total
Gross return (£'000)	31	-	21	52
Proportion of gross return (%)	60	-	40	100
Cost (£'000) <sup>Δ</sup>	-	-	21	21

<sup>Δ</sup>All direct costs from securities lending are borne by the lending agent.

# Statement of total return

For the year ended 1 October 2023

		1 Oct 23		1 Oct 22	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		2,519		(64,862)
Revenue	4	6,943		3,966	
Expenses	5	(1,229)		(1,660)	
Interest payable and similar charges		(5)		-	
Net revenue before taxation		5,709		2,306	
Taxation	6	-		-	
Net revenue after taxation			5,709		2,306
<b>Total return before distributions</b>			<b>8,228</b>		<b>(62,556)</b>
Distributions	7		(5,709)		(2,306)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>2,519</b>		<b>(64,862)</b>

Notes to the financial statements are on pages 22 to 35.

# Statement of change in net assets attributable to unitholders

For the year ended 1 October 2023

	1 Oct 23		1 Oct 22	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		<b>204,713</b>		<b>337,618</b>
Amounts receivable on issue of units	6,759		9,880	
Amounts payable on cancellation of units	(28,531)		(77,923)	
		(21,772)		(68,043)
Change in net assets attributable to unitholders from investment activities		2,519		(64,862)
<b>Closing net assets attributable to unitholders</b>		<b>185,460</b>		<b>204,713</b>

# Balance sheet

As at 1 October 2023

			1 Oct 23		1 Oct 22
	Notes	£'000	£'000	£'000	£'000
<b>Assets</b>					
<b>Fixed assets</b>					
Investments			185,853		201,991
<b>Current assets</b>					
Debtors	8	3,255		4,397	
Cash and bank balances	9	994		9	
<b>Total current assets</b>			<b>4,249</b>		<b>4,406</b>
<b>Total assets</b>			<b>190,102</b>		<b>206,397</b>
<b>Liabilities</b>					
Investment liabilities			(172)		(3)
<b>Creditors</b>					
Bank overdrafts		(292)		(127)	
Distribution payable	7	(3,278)		(1,133)	
Other creditors	10	(900)		(421)	
<b>Total liabilities</b>			<b>(4,642)</b>		<b>(1,684)</b>
<b>Net assets attributable to unitholders</b>			<b>185,460</b>		<b>204,713</b>

Notes to the financial statements are on pages 22 to 35.

# Notes to the financial statements

For the year ended 1 October 2023

## 1. Accounting policies

### (a) Basis of accounting

The Financial Statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments, and in accordance with the United Kingdom Generally Accepted Accounting Practice as defined within Financial Reporting Standard (FRS) 102 and the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Management Association (now known as the Investment Association) in May 2014.

The Manager has undertaken a detailed assessment, and continues to monitor, the Fund's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Fund continues to be open for trading and the Manager is satisfied the Trust has adequate financial resources to continue in operation for at least 12 months from the date of the financial statements and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

### (b) Revenue recognition

Revenue from debt securities is accounted for on an effective interest rate basis.

If any revenue receivable at the balance sheet date is not expected to be received for a significant period after the accounting year end, a provision reflecting the timing of the receipt for the relevant amount will be made.

### (c) Treatment of expenses

All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

### (d) Distribution policy

The distribution policy of the Fund is to distribute all available revenue, after deduction of expenses as an interest distribution.

Gains and losses on investments and currencies, whether realised or unrealised, are taken as capital and are not available for distribution.

### (e) Equalisation

Equalisation applies only to Group 2 units, being units that were purchased during the distribution periods (as detailed on page 36). It is the average amount of revenue included in the purchase price of all Group 2 units and is refundable to holders of these units as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

### (f) Basis of valuation of investments

The valuation point was at 5pm on 29 September 2023, which was the last working day of the accounting year.

All purchases and sales are accounted for on the trade date.

Listed investments are valued at bid market value.

Where applicable, investment valuations exclude any element of accrued income.

### (g) Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at close of business on the last business day of the accounting year.

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions.

Exchange differences on such transactions follow the same treatment as the principal amounts.

### (h) Taxation

The charge for taxation is based on the results for the year.

Deferred tax is provided on all timing differences (other than those recorded as permanent differences) that have originated but not reversed at the balance sheet date at the average rate of tax expected to apply. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

### (i) Stock lending

The Fund may enter into stock lending agreements in line with the Collective Investment Schemes Sourcebook (COLL) rules and the Fund prospectus if the contract is for the benefit of the Fund and the unitholders.

Net revenues earned from stock lending activities are disclosed in the Revenue note.

# Notes to the financial statements

For the year ended 1 October 2023

## **1. Accounting policies (continued)**

### **(j) Efficient portfolio management**

Where appropriate, certain permitted transactions, such as derivatives or forward foreign exchange transactions can be used for efficient portfolio management. Where such transactions are used to protect or enhance income, the income and expenses derived there from are included in 'Revenue' or 'Expenses' in the Statement of total return. Where such transactions are used to protect or enhance capital, the gains and losses derived there from are included in 'Net capital gains/(losses)' in the Statement of total return. Any positions on such transactions open at the year end are reflected in the Balance sheet at their mark to market value.

# Notes to the financial statements

For the year ended 1 October 2023

## 2. Net Capital Gains/(Losses)

The net capital gains/(losses) during the year comprise:

	1 Oct 23	1 Oct 22
	£'000	£'000
Non-derivative securities	4,240	(64,724)
Futures contracts	(1,714)	(138)
Currency losses	(7)	-
<b>Net capital gains/(losses)</b>	<b>2,519</b>	<b>(64,862)</b>

## 3. Portfolio Transaction Costs

Analysis of total trade costs:

	Purchases		Sales	
	1 Oct 23	1 Oct 22	1 Oct 23	1 Oct 22
	£'000	£'000	£'000	£'000
Bonds	207,190	65,129	227,632	128,473
Derivatives	-	-	-	-
<b>Trades in the year before transaction costs</b>	<b>207,190</b>	<b>65,129</b>	<b>227,632</b>	<b>128,473</b>
<b>Commissions</b>				
Bonds	-	-	-	-
Derivatives	-	-	-	-
<b>Total Commissions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Taxes</b>				
Bonds	-	-	-	-
Derivatives	-	-	-	-
<b>Total Taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net trades in the year after transaction costs</b>	<b>207,190</b>	<b>65,129</b>	<b>227,632</b>	<b>128,473</b>

Transaction costs for Gilts and Corporate Bonds cannot be separately identified as they form part of the dealing spread. The dealing spread represents the difference between the values determined for investments by reference to the bid and offer prices, expressed as a percentage of the value determined by reference to the offer price. The average dealing spread of the investments at the balance sheet date was 0.33% (2022: 0.45%).



# Notes to the financial statements

For the year ended 1 October 2023

## 4. Revenue

	1 Oct 23	1 Oct 22
	£'000	£'000
Interest on debt securities	6,890	3,932
Stock lending income	35	34
Bank interest	4	-
Broker Interest	14	-
<b>Total revenue</b>	<b>6,943</b>	<b>3,966</b>

## 5. Expenses

	1 Oct 23	1 Oct 22
	£'000	£'000
<b>Payable to the Manager, associates of the Manager, and agents of either of them:</b>		
Manager's service charge	1,229	1,660
<b>Total expenses</b>	<b>1,229</b>	<b>1,660</b>

During the year, and the comparative period, the Manager has borne the auditor's fee of £16,656 (2022: £14,766) and all the fees charged by the Trustee, Financial Conduct Authority and the Registrar, including irrecoverable VAT where applicable.

# Notes to the financial statements

For the year ended 1 October 2023

## 6. Taxation

### (a) Analysis of the tax charge in the year:

	1 Oct 23	1 Oct 22
	£'000	£'000
<b>Total taxation</b>	-	-

### (b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised unit trust which is 20% (2022: 20%).

The differences are explained below:

	1 Oct 23	1 Oct 22
	£'000	£'000
Net revenue before taxation	5,709	2,306
Corporation tax of 20% (2022: 20%)	1,142	461
<b>Effects of:</b>		
Tax deductible interest distributions	(1,142)	(461)
<b>Total current tax (note 6(a))</b>	-	-

### (c) Deferred tax:

There is no provision required for deferred taxation at 1 October 2023 (2022: £nil).

# Notes to the financial statements

For the year ended 1 October 2023

## 7. Distributions

The distributions take account of revenue received on the issue of units and amounts deducted on the cancellation of units, and comprise:

	1 Oct 23	1 Oct 22
	£'000	£'000
Interim	2,260	1,074
Final	3,278	1,133
	<b>5,538</b>	<b>2,207</b>
Add: Equalisation deducted on cancellation of units	202	118
Less: Equalisation received on issue of units	(31)	(19)
<b>Net distribution for the year</b>	<b>5,709</b>	<b>2,306</b>

Details of the distributions per unit are set out in the Distribution tables on page 36.

## 8. Debtors

	1 Oct 23	1 Oct 22
	£'000	£'000
Accrued revenue	2,225	2,536
Sales awaiting settlement	1,030	1,861
<b>Total debtors</b>	<b>3,255</b>	<b>4,397</b>

## 9. Cash and bank balances

	1 Oct 23	1 Oct 22
	£'000	£'000
Cash and bank balances	-	-
Amounts held at futures clearing houses and brokers	994	9
<b>Total cash and bank balances</b>	<b>994</b>	<b>9</b>

# Notes to the financial statements

For the year ended 1 October 2023

## 10. Other creditors

	1 Oct 23	1 Oct 22
	£'000	£'000
Accrued expenses	153	171
Amounts payable on cancellation of units	173	250
Purchases awaiting settlement	574	-
<b>Total creditors</b>	<b>900</b>	<b>421</b>

## 11. Related party transactions

Management fees paid to Virgin Money Unit Trust Managers Limited (VMUTM) are detailed in note 5 and details of units issued and cancelled by VMUTM are shown in the Statement of change in net assets attributable to unitholders. The balance due to VMUTM at the year end in respect of these transactions was £90,975 (2022: £110,140).

Revenue received from Virgin Money UK PLC related investments during the year was £32,000 (2022: £nil).

## 12. Capital commitments and contingent liabilities

On 1 October 2023, the Fund had no capital commitments (2022: £nil) and no contingent liabilities (2022: £nil).

## 13. Securities on loan

The aggregate value of securities on loan at 1 October 2023 was £518,027 (2022: £39,244,054). Securities on loan are included in the Portfolio statement and no account is taken of any collateral held. The aggregate value of collateral held at 1 October 2023 is £546,147 (2022: £40,715,731), of which £0 (2022: £0) is in equities and £546,147 (2022: £40,715,731) is in bonds.

Counterparty	1 Oct 23		1 Oct 22	
	Value of stock loan	Collateral held	Value of stock loan	Collateral held
	£'000	£'000	£'000	£'000
Citigroup Global Markets	-	-	19,916	20,660
JP Morgan Securities	-	-	19,328	20,056
Merrill Lynch	518	546	-	-
Natwest Markets	-	-	-	-
<b>Total</b>	<b>518</b>	<b>546</b>	<b>39,244</b>	<b>40,716</b>

The gross stock lending revenues and fees for the year are detailed in notes 4 and 5 respectively.

# Notes to the financial statements

For the year ended 1 October 2023

## 14. Financial risk management, derivatives and other financial instruments

The risks inherent in the Fund's investment portfolio are as follows:

### (a) Financial Risk Management

Financial risk can be separated into the following components: market risk, credit risk and liquidity risk. The table below and overleaf is provided to enable users of these financial statements to assess and understand the risks that arise in connection with the financial instruments held by the Fund and how those risks are managed.

Risks are set out in order of significance.

Risk	Risk definition	Risk background and significance	Mitigation technique	Quantitative analysis
<b>1) Market risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: other price risk, interest rate risk, and currency risk.	See below.	See below.	See below.
<b>1a) Other price risk</b>	This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to individual financial instruments or its issuer, or other factors affecting similar financial instruments traded in the market.	Other price risk arises from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements.	The investment approach for the corporate bond side of the Fund is to only invest in A grade Corporate Bonds. The Investment Adviser regularly carries out a review of the portfolio and replaces any bonds which have dropped below the A grade requirement. The Manager carries out a separate regular review of the portfolio holdings to ensure they are in line with this approach and that all relevant regulations are being met.	See note 14(b). Credit Ratings are disclosed on page 14.

# Notes to the financial statements

For the year ended 1 October 2023

Risk	Risk definition	Risk background and significance	Mitigation technique	Quantitative analysis
<b>1b) Interest rate risk</b>	The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship.	As the Fund invests in fixed rate securities, any change to the prevailing interest rates may result in the future income potential of the Fund increasing or decreasing and the value of securities already held increasing or decreasing. If expectations of future interest rates rise, the potential income yield on new securities purchased will rise. However, such a change would initially have a negative impact, as the value of fixed rate securities already held by the Fund would decline. A decline in interest rates (or expectations of future rates) will, in general, have the opposite potential income and valuation effects to those described above.	The Manager of the Fund sets limits for interest rate risk. The Investment Advisor monitors this risk continuously, using a measure called modified duration, to ensure that the risk remains within the limits prescribed.	See note 14 (d)
<b>1c) Currency risk</b>	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	The vast majority of the net assets of the Fund are denominated in sterling, with the effect that the balance sheet and total return cannot be materially affected by currency movements. Given this, the Manager does not consider the Fund has a significant exposure to currency risk.	As the Manager does not consider the Fund has significant exposure to currency risk, no formal mitigation techniques are adopted by the Investment Adviser or the Manager.	See note 14(c)

# Notes to the financial statements

For the year ended 1 October 2023

Risk	Risk definition	Risk background and significance	Mitigation technique	Quantitative analysis
<b>2) Credit risk</b>	This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk.	Certain transactions in securities the Fund enters into expose it to the risk that the counterparty will not deliver the investments for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. Given the mitigation techniques followed, the Manager does not consider the Fund has a significant exposure to counterparty risk.	The Fund only buys and sells investments through brokers which have been approved by the Manager as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time, and changes in brokers' financial ratings are reviewed. The Fund's assets including cash are held on trust for the benefit of unitholders by the Trustee. The financial position of the Trustee is itself monitored on a regular basis by the Manager.	Not applicable.
<b>3) Liquidity risk</b>	The risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, including redemption liability.	All of the Fund's financial assets are considered to be readily realisable in accordance with the market practices of the exchange on which they are traded. Given this, the Manager does not consider that the Fund has a significant exposure to liquidity risk.	In general, the Investment Adviser manages the Fund's cash to ensure it can meet its liabilities. Where investments cannot be realised in time to meet any potential liability, the Fund may borrow up to 10% of its value to ensure settlement.	Not applicable.

## (b) Other price risk and fair value of financial assets and liabilities

There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the Fund disclosed in the Balance sheet.

## (c) Currency exposures

The income and capital value of the Fund's investments are mainly denominated in sterling, the Fund's functional currency. The market prices of a number of the Fund's sterling-denominated investments are influenced by underlying currency movements. This is consistent with the exposure during both the current and prior year. However the influence of currency movements on sterling-denominated investments is not separately quantified.

# Notes to the financial statements

For the year ended 1 October 2023

## (d) Interest rate risk profile and sensitivity analysis

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital, with the exception of index linked bonds which are protected against the effect of inflation.

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A 1% (absolute basis) increase in the base interest rates would have the effect of decreasing the return and net assets by £1,856,806 (2022: £2,019,884). A 1% decrease would have an equal and opposite effect.

The interest rate profile of the Fund's financial assets and liabilities at the year end are set out in the tables below:

### 1 Oct 23

Currency	Floating rate financial assets/ liabilities £'000	Fixed rate financial assets £'000	Financial liabilities not carrying interest £'000	Total £'000
Euro	(17)	-	-	(17)
Sterling	756	185,853	(1,096)	185,513
US Dollar	(36)	-	-	(36)
<b>Total</b>	<b>703</b>	<b>185,853</b>	<b>(1,096)</b>	<b>185,460</b>

### 1 Oct 22

Currency	Floating rate financial liabilities £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Euro	-	-	-	-
Sterling	(118)	201,991	2,840	204,713
US Dollar	-	-	-	-
<b>Total</b>	<b>(118)</b>	<b>201,991</b>	<b>2,840</b>	<b>204,713</b>



# Notes to the financial statements

For the year ended 1 October 2023

## 1 Oct 23

Category of fixed rate assets	Fixed rate financial assets weighted average interest rate	Fixed rate financial assets weighted average period for which rate is fixed
	%	(years)
Gilts	0.95	8.84
Eurosterling-Corporate	4.46	16.20

## 1 Oct 22

Category of fixed rate assets	Fixed rate financial assets weighted average interest rate	Fixed rate financial assets weighted average period for which rate is fixed
	%	(years)
Gilts	2.25	8.99
Eurosterling-Corporate	3.69	9.20

The Fund's floating rate investments earn interest which is variable, by reference to the rate of inflation as measured by the Retail Price Index.

### (e) Derivatives and other financial instruments

The Fund may enter into derivative transactions in the form of investment in future contracts, forward currency contracts, options and swaps. The purpose of these financial instruments is efficient portfolio management. In particular, stock index futures may be used both to implement the investment policy in a timely manner and to manage market price risk arising from the time lag between funds being receivable or payable by the Fund and investment or disinvestment in underlying securities.

In accordance with requirements set out in the COLL Sourcebook:

- transactions must be in derivatives which comply with Financial Conduct Authority (FCA) rules on approved or OTC derivatives;
- the underlying basis of the transaction must consist of financial derivatives instruments to which the Fund is dedicated (e.g. transferable securities);
- transactions in approved derivatives must be effected on or under the rules of an eligible derivatives market;
- transactions in derivatives must not cause the Fund to divert from its investment objectives;
- transactions in derivatives must not create the potential for an uncovered sale; and
- any forward transactions must be made with an eligible institution or an approved bank.

### (f) Leverage

The Fund did not employ significant leverage during the year.

# Notes to the financial statements

For the year ended 1 October 2023

## 15. Efficient portfolio management

The Fund may employ investment techniques and use financial derivative instruments (such as futures contracts, forward foreign currency contracts, options and swaps) for efficient portfolio management of the assets of the Fund, including hedging against market movements, currency exchange or interest rate risks, subject to the conditions and within the limits stipulated in the COLL Sourcebook and the Prospectus.

The efficient portfolio management purposes for which the Fund intends to employ financial derivative instruments and such investment techniques are the reduction of risk, the reduction of cost and the generation of additional income for the Fund with an appropriate level of risk, taking into account the risk profile of the Fund and the risk diversification rules in the COLL Sourcebook. Any such investment technique or use of financial derivative instruments must be one which is reasonably believed by the Manager to be economically appropriate in that it is realised in a cost-effective way.

UCITS Funds are required to disclose the revenues arising from efficient portfolio management techniques for the entire reporting period together with the direct and indirect operational costs and fees incurred.

The gains and losses, including costs incurred for futures contracts held for efficient portfolio management purposes during the year ended 1 October 2023, are disclosed in Note 2, Net capital gains/losses.

### Collateral

Cash collateral is disclosed under Amounts held at futures clearing houses and brokers in Note 9.

## 16. Reconciliation of the unit movements in the year

	Income Units	AE Income Units
Opening units in issue on 1 Oct 22	201,656,729	500,658
Creations during the year	6,311,408	14,339
Cancellations during the year	(26,900,738)	(138,586)
<b>Closing units in issue on 1 Oct 23</b>	<b>181,067,399</b>	<b>376,411</b>

# Notes to the financial statements

For the year ended 1 October 2023

## 17. Fair value hierarchy

	1 Oct 23		1 Oct 22	
	Assets	Liabilities	Assets	Liabilities
Valuation technique - Investments	£'000	£'000	£'000	£'000
Level 1	92,488	(172)	102,664	(3)
Level 2	93,365	-	99,327	-
Level 3	-	-	-	-
	<b>185,853</b>	<b>(172)</b>	<b>201,991</b>	<b>(3)</b>

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

# Distribution tables

For the year ended 1 October 2023

## Distribution in pence per unit

### Interim distribution paid 1 June 2023

Group 1	Units purchased prior to 2 October 2022
Group 2	Units purchased from 2 October 2022 to 1 April 2023 inclusive

	Revenue (p)	Equalisation (p)	Distribution paid 1 Jun 23 (p)	Distribution paid 1 Jun 22 (p)
<b>Income units</b>				
Group 1	1.1738	-	1.1738	0.4785
Group 2	0.6679	0.5059	1.1738	0.4785

### AE Income units

Group 1	0.9328	-	0.9328	0.3803
Group 2	0.2177	0.7151	0.9328	0.3803

### Final distribution paid 1 December 2023

Group 1	Units purchased prior to 2 April 2023
Group 2	Units purchased from 2 April 2023 to 1 October 2023 inclusive

	Revenue (p)	Equalisation (p)	Distribution paid 1 Dec 23 (p)	Distribution paid 1 Dec 22 (p)
<b>Income units</b>				
Group 1	1.8072	-	1.8072	0.5607
Group 2	1.1196	0.6876	1.8072	0.5607

### AE Income units

Group 1	1.4357	-	1.4357	0.4455
Group 2	0.9362	0.4995	1.4357	0.4455

## Equalisation

Equalisation applies only to units purchased during the distribution period (Group 2 units). It is the average amount of income included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

# Statement of the Manager's responsibilities

For the year ended 1 October 2023

The Collective Investment Schemes Sourcebook published by the FCA, ('the COLL Rules') require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund and of the net income and net gains or losses on the property of the Fund for the period.

In preparing the financial statements the Manager is responsible for:

- > selecting suitable accounting policies and then apply them consistently;
- > making judgements and estimates that are reasonable and prudent;
- > following UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- > complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- > keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- > assessing the Fund and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- > using the going concern basis of accounting unless they either intend to liquidate the Fund or its sub-funds or to cease operations, or have no realistic alternative but to do so;
- > managing such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- > taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the Fund in accordance with the Trust Deed, Prospectus and the COLL Rules.

The Manager is responsible for the maintenance and integrity of the corporate and financial information included on the Fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Final Report and Financial Statements were approved by the Manager and signed on its behalf by:



**Jonathan Byrne**

Director

26 January 2024



**David Taylor**

Director

26 January 2024

# Independent auditor's report to the unitholders of the Virgin Money Bond Fund (the 'Trust')

For the year ended 1 October 2023

## Opinion

We have audited the financial statements of the Trust for the year ended 1 October 2023 which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables and the accounting policies set out on pages 22 and 23.

In our opinion the financial statements:

- > give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Trust as at 1 October 2023 and of the net revenue and the net capital gains on the property of the Trust for the year then ended; and
- > have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to Authorised Funds, and the COLL Rules.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going Concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Trust or to cease their operations, and as they have concluded that the Trust's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Manager's conclusions, we considered the inherent risks to the Trust's business model and analysed how those risks might affect the Trust's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- > we consider that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- > we have not identified, and concur with the Manager's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.

# Independent auditor's report to the unitholders of the Virgin Money Bond Fund (the 'Trust')

For the year ended 1 October 2023

## **Fraud and breaches of laws and regulations – ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- > Enquiring of directors as to the Trust’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- > Assessing the segregation of duties in place between the Manager, the Trustee, the Administrator and the Investment Adviser;
- > Reading board minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is principally non-judgemental and based on publicly available information, with limited opportunity for manipulation. We did not identify any additional fraud risks.

We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We identified and selected a sample of journal entries made at the end of the reporting period and tested those substantively including all material post-closing entries. Based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Trust is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related authorised fund legislation maintained by the Financial Conduct Authority) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Trust is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection and bribery and corruption legislation recognising the Trust’s activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

# Independent auditor's report to the unitholders of the Virgin Money Bond Fund (the 'Trust')

For the year ended 1 October 2023

## Other Information

The Manager is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- > we have not identified material misstatements in the other information; and
- > in our opinion the information given in the Manager's Report for the financial year is consistent with the financial statements.

## Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- > proper accounting records for the Trust have not been kept; or
- > the financial statements are not in agreement with the accounting records.

## Manager's Responsibilities

As explained more fully in their statement set out on page 37, the Manager is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Trust'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 they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders 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 Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.



Wiqas Kaiser  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
319 St Vincent Street  
Glasgow  
G2 5AS

26 January 2024



# Manager's remuneration (unaudited)

For the year ended 1 October 2023

In accordance with the FCA's UCITS Remuneration Code, Virgin Money Unit Trust Managers Limited ("VMUTM"), as the Manager, is required to establish and apply a remuneration policy for certain categories of staff whose activities have a material impact on the risk profile of the Manager or the UK UCITS funds ("UCITS") that it manages ("UCITS Remuneration Code Staff" or "Code Staff"). VMUTM does not directly employ any staff, other than its two independent non-executive directors. All other staff involved in the management of the Fund are provided from both Virgin Money UK PLC and abrtn plc (the ultimate parent entities) on a secondment basis. The Manager has established a remuneration policy to ensure that remuneration for its Code Staff:

- (i) is consistent with and promotes sound and effective risk management;
- (ii) does not encourage risk taking that exceeds the level of tolerated risk of VMUTM or that is inconsistent with the risk profile of the UCITS funds it manages; and
- (iii) encourages behaviours that are aligned with the business strategy, objectives, values and interests of VMUTM, the UCITS funds it manages, and the investors in those UCITS funds, and seeks to avoid conflicts of interest.

The remuneration policy is subject to annual review by the Compliance function and is approved annually by the Board of VMUTM.

## Employee Remuneration Disclosure

The table below provides an overview of the following:

Aggregate total remuneration paid by VMUTM to its Code Staff – in other words those individuals who could have a material impact on the risk profile of VMUTM or the UCITS funds it manages, including the Virgin Money Bond Fund.

This broadly includes senior management, decision makers and control functions. VMUTM has no employees. For the purpose of this disclosure, Code Staff includes individuals employed by Virgin Money UK PLC or abrtn plc who are seconded full-time to VMUTM. It may also include employees of entities to which investment advice has been delegated.

The VMUTM secondees from both Virgin Money UK PLC and abrtn plc have a performance period running from 1 January to 31 December each year. Amounts shown below reflect payments made from 1 January 2022 to 31 December 2022 inclusive.

Virgin Money Bond and Gilt Fund Reporting period: 02/10/22-01/10/23	Headcount	Total Remuneration £'000 <sup>1</sup>	Proportion relevant to Virgin Money Bond Fund £'000 <sup>2</sup>
VMUTM Code staff <sup>3</sup>	19		
Total remuneration		1,852	128
of which			
Fixed remuneration		1,458	101
Variable remuneration		394	27

<sup>1</sup> These figures represent the total remuneration paid by VMUTM to Code Staff as defined in note 3.

<sup>2</sup> These figures represent the proportion of the amounts in the previous column, based on the average assets under management of the Virgin Money Bond Fund in 2022 compared to the average total assets under management in 2022 of all funds of which VMUTM is the manager.

<sup>3</sup> Code Staff comprises:

- i) Directors of VMUTM, including the independent non-executive directors (fees invoiced directly to VMUTM), non-executive directors appointed by the parent companies of VMUTM which are Virgin Money UK PLC and abrtn plc (these directors are not remunerated for carrying out this role, which is an immaterial part of the work they do for Virgin Money UK PLC or abrtn plc), and the Chief Executive Officer of VMUTM (seconded from Virgin Money UK PLC).
- ii) Other members of the VMUTM Executive Committee, which includes individuals with significant management functions, plus staff engaged in control functions.

# Statement of the Trustee's responsibilities

**in respect of the Scheme and Report of the Trustee to the Unitholders of the Virgin Money Bond Fund ("the Trust")**

For the year ended 1 October 2023

The Trustee is responsible for the safekeeping of all property of the Trust which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

It is the duty of the Trustee to take reasonable care to ensure that the Trust is managed and operated in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('the Sourcebook'), the Financial Services and Markets Act 2000, as amended, and the Trust Deed and the Prospectus of the Trust, concerning: the pricing of and dealing in Trust Units; the application of income of the scheme; and the Trust investment portfolio and borrowing activities.

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, the Trust Deed and Prospectus;
- (ii) has observed the investment and borrowing powers and restrictions applicable to the scheme; and
- (iii) has, otherwise, ensured the proper operation of the Trust.

**Citibank UK Limited,  
26 January 2024**

**Virgin Money Unit Trust Managers Limited**

Authorised and regulated by the Financial Conduct Authority

Registered office: Jubilee House  
Gosforth, Newcastle upon Tyne NE3 4PL

Registered in England no. 3000482