



# The Virgin Money Defensive Fund

---

**Final Report and Financial Statements**  
**For the year ended 31 July 2023**

# Contents

Manager's report	3
Management and professional services	3
Manager's investment report	5
Assessment of Value	9
Comparative tables	10
Portfolio statement	12
Purchases and sales of investments	14
Statement of total return	16
Statement of change in net assets attributable to unitholders	16
Balance sheet	17
Notes to the financial statements	18
Distribution tables	29
Statement of the Manager's responsibilities	31
Independent auditor's report to the unitholders of the Virgin Money Defensive Fund	32
Manager's remuneration (unaudited)	35
Statement of the Trustee's responsibilities in respect of the Scheme and Report of the Trustee to the Unitholders of the Virgin Money Defensive Fund	36

# Management and professional services

For the year ended 31 July 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

abrln Investments Limited<sup>#</sup>  
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

FNZ (UK) Limited\*\*\*  
1 Tanfield  
Edinburgh  
Midlothian  
EH3 5DA

## 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.

\* 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.

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

\*\* Main register of Unitholders and the SS&C Plan Register (being a record of persons who subscribe for Units through Individual Savings Accounts (ISAs) opened prior to 1 January 2023).

\*\*\* FNZ Plan Register (being a record of persons who subscribe for Units through Individual Savings Accounts (ISAs) opened from 1 January 2023).

# Management and professional services

For the year ended 31 July 2023

## **Independent Auditor**

KPMG LLP  
20 Castle Terrace  
Edinburgh  
EH1 2EG

# Manager's investment report

For the year ended 31 July 2023

## Investment Objective, Policy and Strategy

The aim of The Virgin Money Defensive Fund (the 'Fund') is to grow investors' money over the medium term (3 years or more), whilst limiting ups and downs in value by investing mainly in assets considered to be lower risk or 'defensive' in nature.

The Fund aims to achieve the objective by investing in other funds, rather than investing directly in individual bonds or shares. This means that the Fund is what's often known as a 'fund-of-funds'. The funds in which it invests may be managed by us, our Investment Adviser, or any other authorised fund manager.

The Fund invests:

- at least 75% in funds that have a lower risk and return potential compared to other investments in the Fund. This includes government bonds (loans to a government) from developed countries, investment grade corporate bonds (loans to a company) with relatively strong credit ratings (BBB or higher), and cash;
- the rest in funds that have a higher return potential compared to other investments in the Fund – but which carry a higher level of risk, such as shares (from both developed and emerging countries) and higher yielding bonds. This includes company shares, property shares, and higher yielding bonds such as corporate bonds rated by the leading credit agencies as below investment grade (BB or lower).

The split between higher and lower risk investments, and the types of investment (for example, geography and types of bonds) are chosen so that risk (measured by how much the Fund's value fluctuates, known as 'volatility') is expected to remain within the range 2% to 5% per year, measured over five year periods.

The underlying funds are chosen to implement the desired mix of assets as per the bullet points above. Normally at least 80% of the funds that the Fund invests in will be passively managed. This means that they aim to track the performance of a particular share index or bond index. The rest will be actively managed funds – this is where the fund manager chooses individual shares / bonds and as a result returns may be higher (or lower) than the market.

As well as investing in bond and share funds, the Fund may also hold cash or funds investing in cash and money-market investments.

The Fund's mix of investments will be reviewed at least annually, and may change in consideration of the outlook for each investment type, but it will always include at least 75% in funds with lower risk/return potential.

## 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').

## 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 13 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.

The Fund invests predominantly in collective investment schemes, as shown in the Portfolio statement on page 12. Management fees for the funds in which it invests are met by the Manager out of the operating charges set out in the Comparative table on page 10.

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

<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.

# Manager's investment report

For the year ended 31 July 2023

## Risk and Reward Profile

The Fund's Synthetic Risk and Reward Indicator ('SRRI') is 3 on a scale of 1 (lower) to 7 (higher) as it invests in company shares which typically provide higher rewards but carry a higher level of risk than other investments such as gilt-edged securities.

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

## Distribution

The Fund receives dividend income from stocks 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.

### A Accumulation Unit Class

The final distribution for the year ended 31 July 2023 will be 1.3226p net per unit paid on 29 September 2023.

The total distribution for the year is 2.1371p net per unit.

### AE Accumulation Unit Class\*

The final distribution for the year ended 31 July 2023 will be 1.3227p net per unit paid on 29 September 2023.

The total distribution for the year is 2.1366p net per unit.

### Accumulation Unit Class

The final distribution for the year ended 31 July 2023 will be 1.4292p net per unit paid on 29 September 2023.

The total distribution for the year is 2.3612p net per unit.

\*Auto-Enrolment units are only available to customers who are automatically enrolled into the Virgin Stakeholder Pension Scheme under Automatic Enrolment Workplace Pension Scheme legislation.

## Fund Performance

For the year ended 31 July 2023, the net asset value for A Accumulation Units decreased by 2.11%<sup>3</sup> from 98.24p to 96.17p. The net asset value for AE Accumulation Units decreased by 2.12%<sup>3</sup> from 98.25p to 96.17p. The net asset value for Accumulation Units decreased by 1.83%<sup>3</sup> from 95.83p to 94.08p.

<sup>3</sup> Based on published net asset value as shown on page 10.

# Manager's investment report

For the year ended 31 July 2023

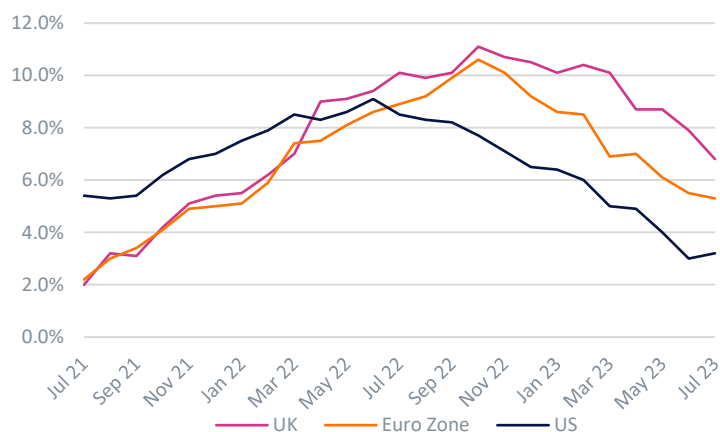
## Markets overview from 1 August 2022 to 31 July 2023

Consistent interest rate hikes and volatile energy prices made the 12-month period under review a tough time for bond investors. An improvement in sentiment in the first calendar quarter of 2023, driven by concerns of slowing economic growth and the US banking crisis, was reversed when inflation proved to be stickier than expected. On the other hand, global equities continued to recover, buoyed by better-than-expected US economic data and expectations of limited rate hikes going forward.

### Inflation subsides but remains above targets:

- Even as price pressures eased, inflation remained above the target levels of major economies, prompting central banks to continue their tightening monetary policy paths.

### Major Global Inflation Rates



- With its monetary policy beginning to show signs of working, annual consumer price inflation in the US eased to 3.2% and the core rate to 4.7% in July, both falling more than expected. However, while the US Federal Reserve (Fed)'s favoured measure of inflation, the core Personal Consumption Expenditures Price Index, declined to 4.1% in June it remained well above the 2% target. As a result, the Fed raised rates by 0.25% at its July meeting as predicted. Fed Chair Jerome Powell also suggested that it may make further rises in the future.
- At the start of the 12-month review period, eurozone annual inflation hit record levels, reaching a peak of 10.7% in October. Subsequently, however, inflation in Europe dropped consistently, with annual core inflation falling to 5.5% by July. Nonetheless, it remained above the European Central Bank's 2% target. The central bank accordingly raised the interest rate on its main refinancing operations by a further 0.25% to 4.25%, marking its ninth consecutive hike.
- The UK economy continued to be troubled for most of the review period by soaring annual inflation that reached a 41-year high of 11.1% in October amid some political turbulence. Following a series of rate hikes, the consumer prices index then began cooling down in June and fell to 6.8% in July. However, this too remained above the Bank of England's 2% target and

the central bank was widely expected to continue raising the base rate.

### Bond markets still struggle against interest rates:

- Steep interest rate rises began to ease but rate hikes were still needed to combat sticky inflation in the US, UK and Europe that continued to weigh down on the global government bond market.
- UK government bond prices were particularly weak, affected by economic volatility after a short-lived and poorly received mini-budget, as well as a few higher-than-expected rate hikes.
- On the other hand, sterling corporate bonds rose over the period, with spreads continuing to tighten, as did investment-grade and riskier high-yield bonds in the US.
- European high-yield bonds also had a good run throughout the period.

### Markets turn optimistic about easing monetary policies and positive economic data:

- Global stock markets, as represented by the MSCI World Index, rose over the 12-month period in all major currencies, including sterling.
- Stock markets began to recover from October onward amid better-than-expected US data and the US debt ceiling suspension till January 2025 following protracted negotiations. The June-quarter earnings results were also generally positive and above average. Despite the banking sector crisis raising concerns over the risk of a recession, central banks focused on lowering still above-target inflation. Towards the end of the review period, the market was hopeful that interest rates were close to peak levels.
- US stock markets, as measured by the broad S&P 500 Index, rose over the 12 months under review as share prices began to recover from mid-October. Technology stocks, in particular, surged due to the fast-growing area of artificial intelligence.
- In line with global stocks, European stock markets remained under pressure till September. Thereafter, share prices rose steadily, driven by sizeable gains in Germany, France, Italy, Ireland and Spain. In addition to easing inflation, concerns that Europe might face an energy crisis over the winter faded, helped by high storage levels of natural gas.
- The FTSE 100 Index's solid performance helped UK equities make steady gains despite lagging global stock markets.

# Manager's investment report

For the year ended 31 July 2023

## UK Stockmarket



Source: Lipper

- Asian stocks also gained. Though the initial boost from the reopening of the Chinese economy in late 2022 was tempered by subsequently modest outcomes, markets remained resilient with falling inflation. In July, fresh stimulus from the Chinese government also raised sentiment in the region.



# Manager's investment report

For the year ended 31 July 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 31 July 2023

Change in net assets per unit for the period ending	A Accumulation Units			AE Accumulation Units		
	31 Jul 23	31 Jul 22	31 Jul 21	31 Jul 23	31 Jul 22	31 Jul 21
Opening net asset value per unit	98.24	104.08	100.00	98.25	104.08	100.00
Return before operating charges	(1.40)	(5.13)	4.63	(1.41)	(5.12)	4.63
Operating charges	(0.67)	(0.71)	(0.55)	(0.67)	(0.71)	(0.55)
<b>Return after operating charges</b>	<b>(2.07)</b>	<b>(5.84)</b>	<b>4.08</b>	<b>(2.08)</b>	<b>(5.83)</b>	<b>4.08</b>
Distributions	(2.14)	(0.84)	(0.36)	(2.14)	(0.83)	(0.36)
Retained distribution on accumulation units	2.14	0.84	0.36	2.14	0.83	0.36
Closing net asset value per unit	96.17	98.24	104.08	96.17	98.25	104.08
After direct transaction costs of :	-	-	-	-	-	-
<b>Performance</b>						
Return after operating charges (%) <sup>*</sup>	(2.11)	(5.61)	4.08	(2.12)	(5.60)	4.08
<b>Other information</b>						
Closing net asset value (£)	131,410,829	119,894,933	105,855,286	2,067,042	1,944,546	1,816,361
Closing number of units	136,647,655	122,037,054	101,709,342	2,149,399	1,979,279	1,745,187
Operating charges (%) <sup>‡</sup>	0.70	0.70	0.70	0.70	0.70	0.70
Direct transaction costs (%)	-	-	-	-	-	-
<b>Prices</b>						
Highest price (p)	98.83	105.30	104.10	98.83	105.30	104.10
Lowest price (p)	91.64	95.36	99.88	91.64	95.36	99.88

\*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 period, expressed as a percentage of its average net assets.

# Comparative tables

As at 31 July 2023

Change in net assets per unit for the period ending	Accumulation Units <sup>^</sup>	
	31 Jul 23	31 Jul 22
Opening net asset value per unit	95.83	100.00
Return before operating charges	(1.38)	(3.99)
Operating charges	(0.37)	(0.18)
<b>Return after operating charges</b>	<b>(1.75)</b>	<b>(4.17)</b>
Distributions	(2.36)	(0.69)
Retained distribution on accumulation units	2.36	0.69
Closing net asset value per unit	94.08	95.83
After direct transaction costs of :	-	-
<b>Performance</b>		
Return after operating charges (%) <sup>*</sup>	(1.83)	(4.17)
<b>Other information</b>		
	<b>31 Jul 23</b>	<b>31 Jul 22</b>
Closing net asset value (£)	56,258	958
Closing number of units	59,795	1,000
Operating charges (%) <sup>‡</sup>	0.40	0.38
Direct transaction costs (%)	-	-
<b>Prices</b>		
Highest price (p)	96.41	100.00
Lowest price (p)	89.44	92.99

<sup>^</sup>Share class Accumulation Units was launched on 3 February 2022, therefore there are no 2021 comparatives.

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

<sup>‡</sup>The operating charges are the annualised total expenses paid by the Fund in the period, expressed as a percentage of its average net assets. The Annual Management Charge for Accumulation Units changed from 0.35% to 0.40% on 16 January 2023.

# Portfolio statement

As at 31 July 2023

Security	Holdings	Market Value £'000	% of Net Assets
<b>COLLECTIVE INVESTMENT SCHEMES</b>			
<b>Bonds and Gilts (81.46%*)</b>		<b>113,330</b>	<b>84.87</b>
Aberdeen Standard Liquidity Fund Lux - Sterling Fund <sup>#</sup>	22,166	22,166	16.60
abrdn OEIC IV - abrdn Emerging Markets Local Currency Bond Tracker Fund <sup>#</sup>	1,267,619	1,344	1.01
abrdn OEIC IV - abrdn Global Corporate Bond Tracker Fund <sup>#</sup>	3,820,887	3,804	2.85
abrdn OEIC IV - abrdn Global Government Bond Tracker Fund <sup>#</sup>	8,480,433	7,305	5.47
abrdn OEIC IV - abrdn Global Inflation-Linked Bond Tracker Fund <sup>#</sup>	13,309,040	13,198	9.88
abrdn OEIC IV - abrdn Short Dated Global Corporate Bond Tracker Fund <sup>#</sup>	16,627,754	16,926	12.68
abrdn OEIC IV - abrdn Short Dated Global Inflation-Linked Bond Tracker Fund <sup>#</sup>	8,537,633	9,353	7.00
abrdn OEIC IV - abrdn Short Dated Sterling Corporate Bond Tracker Fund <sup>#</sup>	5,462,774	5,346	4.00
abrdn OEIC IV - abrdn Sterling Corporate Bond Tracker Fund <sup>#</sup>	3,104,688	2,725	2.04
abrdn SICAV II - Global High Yield Bond Fund <sup>#</sup>	85,314	1,280	0.96
Payden Global Funds - Government Bond Index Fund	582,832	7,142	5.35
Vanguard Global Short-Term Corporate Bond Index Fund	28,101	2,875	2.15
Vanguard Investment Series - UK Government Bond Index Fund	208,624	19,866	14.88
<b>UK Shares (4.07%*)</b>		<b>1,276</b>	<b>0.95</b>
Virgin UK Index Tracking Trust - Income Units <sup>^</sup>	452,440	1,276	0.95
<b>Overseas Shares (12.14%*)</b>		<b>16,192</b>	<b>12.13</b>
abrdn OEIC IV - abrdn American Equity Tracker Fund <sup>#</sup>	3,803,204	6,684	5.01
abrdn OEIC IV - abrdn Asia Pacific ex-Japan Equity Tracker Fund <sup>#</sup>	5,014,621	5,506	4.12
abrdn OEIC IV - abrdn European Equity Tracker Fund <sup>#</sup>	904,785	1,346	1.01
abrdn OEIC IV - abrdn Global REIT Tracker Fund <sup>#</sup>	1,383,541	1,327	0.99
abrdn OEIC IV - abrdn Japan Equity Tracker Fund <sup>#</sup>	1,034,693	1,329	1.00

# Portfolio statement

As at 31 July 2023

Security	Holdings	Market Value £'000	% of Net Assets
<b>Emerging Market Shares (0.89%*)</b>		<b>1,378</b>	<b>1.03</b>
abrdn OEIC IV - abrdn Emerging Markets Equity Tracker Fund <sup>#</sup>	1,289,811	1,378	1.03
<b>Portfolio of investments</b>		<b>132,176</b>	<b>98.98</b>
<b>Net other assets (1.44%*)</b>		<b>1,358</b>	<b>1.02</b>
<b>Net assets</b>		<b>133,534</b>	<b>100.00</b>

\*Comparative figures shown in brackets relate to percentage of total net assets at 31 July 2022.

<sup>^</sup> This fund is managed by Virgin Money Unit Trust Managers Limited.

<sup>#</sup> This fund is managed by abrdn Investments Limited, Investment Adviser to the Fund, and a subsidiary of abrdn plc, a related party.

# Purchases and sales of investments

For the year ended 31 July 2023

Purchases	Cost £'000
Aberdeen Standard Liquidity Fund Lux - Sterling Fund <sup>#</sup>	47,874
Vanguard Investment Series - UK Government Bond Index Fund	14,950
abrtn OEIC IV - abrtn Global Inflation-Linked Bond Tracker Fund <sup>#</sup>	7,600
abrtn OEIC IV - abrtn Short Dated Sterling Corporate Bond Tracker Fund <sup>#</sup>	2,194
abrtn OEIC IV - abrtn Short Dated Global Corporate Bond Tracker Fund <sup>#</sup>	1,950
abrtn OEIC IV - abrtn Asia Pacific ex-Japan Equity Tracker Fund <sup>#</sup>	1,900
abrtn OEIC IV - abrtn Global Government Bond Tracker Fund <sup>#</sup>	1,600
abrtn OEIC IV - abrtn Short Dated Global Inflation-Linked Bond Tracker Fund <sup>#</sup>	1,400
abrtn OEIC IV - abrtn American Equity Tracker Fund <sup>#</sup>	1,200
abrtn OEIC IV - abrtn Sterling Corporate Bond Tracker Fund <sup>#</sup>	550
abrtn OEIC IV - abrtn Global REIT Tracker Fund <sup>#</sup>	450
Virgin UK Index Tracking Trust - Income Units <sup>^</sup>	353
Payden Global Funds - Government Bond Index Fund	251
abrtn OEIC IV - abrtn Emerging Markets Equity Tracker Fund <sup>#</sup>	250
abrtn OEIC IV - abrtn Global Corporate Bond Tracker Fund <sup>#</sup>	250
<b>Total for the year</b>	<b>82,772</b>

<sup>^</sup> This fund is managed by Virgin Money Unit Trust Managers Limited.

<sup>#</sup> This fund is managed by abrtn Investments Limited, Investment Adviser to the Fund, and a subsidiary of abrtn plc, a related party.

The above constitutes all purchases of investments in the year.

# Purchases and sales of investments

For the year ended 31 July 2023

Sales	Proceeds £'000
Aberdeen Standard Liquidity Fund Lux - Sterling Fund <sup>#</sup>	45,130
abrtn OEIC IV - abrtn Short Dated Sterling Corporate Bond Tracker Fund <sup>#</sup>	5,100
abrtn OEIC IV - abrtn Short Dated Global Inflation-Linked Bond Tracker Fund <sup>#</sup>	5,000
Virgin UK Index Tracking Trust - Income Units <sup>^</sup>	4,000
Vanguard Global Short-Term Corporate Bond Index Fund	2,500
abrtn OEIC IV - abrtn European Equity Tracker Fund <sup>#</sup>	1,500
abrtn OEIC IV - abrtn Global REIT Tracker Fund <sup>#</sup>	1,400
abrtn OEIC IV - abrtn Emerging Markets Local Currency Bond Tracker Fund <sup>#</sup>	1,400
abrtn OEIC IV - abrtn Sterling Corporate Bond Tracker Fund <sup>#</sup>	1,200
Vanguard UK Short-Term Investment Grade Bond Index Fund	1,008
<b>Total for the year</b>	<b>68,238</b>

<sup>^</sup> This fund is managed by Virgin Money Unit Trust Managers Limited.

<sup>#</sup> This fund is managed by abrtn Investments Limited, Investment Adviser to the Fund, and a subsidiary of abrtn plc, a related party.

The above constitutes all sales of investments in the year.

# Statement of total return

For the year ended 31 July 2023

	Notes	31 Jul 23		31 Jul 22	
		£'000	£'000	£'000	£'000
Income					
Net capital losses	2		(5,269)		(7,748)
Revenue	4	3,664		1,726	
Expenses	5	(788)		(727)	
Interest payable and similar charges		(9)		(4)	
Net revenue before taxation		2,867		995	
Taxation	6	(9)		(7)	
Net revenue after taxation			2,858		988
<b>Total return before distributions</b>			<b>(2,411)</b>		<b>(6,760)</b>
Distributions	7		(2,858)		(988)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>(5,269)</b>		<b>(7,748)</b>

# Statement of change in net assets attributable to unitholders

For the year ended 31 July 2023

	31 Jul 23		31 Jul 22	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		<b>121,840</b>		<b>107,672</b>
Amounts receivable on issue of units	27,137		28,220	
Amounts payable on cancellation of units	(13,087)		(7,312)	
		14,050		20,908
Change in net assets attributable to unitholders from investment activities		(5,269)		(7,748)
Retained distribution on accumulation units		2,913		1,008
<b>Closing net assets attributable to unitholders</b>		<b>133,534</b>		<b>121,840</b>

Notes to the financial statements are on pages 18 to 28.



# Balance sheet

As at 31 July 2023

		31 Jul 23		31 Jul 22	
	Notes	£'000	£'000	£'000	£'000
<b>Assets</b>					
<b>Fixed assets</b>					
Investments			132,176		120,088
<b>Current assets</b>					
Debtors	8	2,113		1,814	
Cash and bank balances	9	-		1	
<b>Total current assets</b>			<b>2,113</b>		<b>1,815</b>
<b>Total assets</b>			<b>134,289</b>		<b>121,903</b>
<b>Creditors</b>					
Bank overdrafts		(686)		-	
Other creditors	10	(69)		(63)	
<b>Total liabilities</b>			<b>(755)</b>		<b>(63)</b>
<b>Net assets attributable to unitholders</b>			<b>133,534</b>		<b>121,840</b>

Notes to the financial statements are on pages 18 to 28.

# Notes to the financial statements

For the year ended 31 July 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 Trust'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 Trust 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

Dividends on distributions on holdings in collective investment schemes are recognised when the securities are quoted ex-dividend. Where such securities are not quoted, dividends are recognised when they are declared.

Any reported revenue from an offshore fund, in excess of any distribution received in the reporting year, is recognised as revenue no later than the date on which the reporting fund makes this information available.

If any revenue receivable at the balance sheet date is not expected to be received for a significant period after the accounting period 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.

In order to maintain the operating charges of the Fund at 0.70% (2022: 0.70%) for A Accumulation Units, 0.70% (2022: 0.70%) for AE Accumulation Units and 0.40% (2022: 0.35%) for Accumulation Units, the Manager will rebate to the Fund an amount equivalent to the value of the operating charges incurred by investing in the underlying securities.

### (d) Distribution policy

The distribution policy of the Fund is to distribute all available revenue, after deduction of expenses as an dividend 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 29). 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 31 July 2023, which was the last working day of the accounting year.

Collective Investment Schemes are valued by reference to their net asset value. Dual priced funds have been valued at the bid price. Single priced funds have been valued using the single price.

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.

# Notes to the financial statements

For the year ended 31 July 2023

## 1. Accounting policies (continued)

### (h) Taxation

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

Provision is made for corporation tax at the current rate on the excess of taxable income over allowable expenses.

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) 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 market to market value.

# Notes to the financial statements

For the year ended 31 July 2023

## 2. Net Capital Losses

The net capital losses during the year comprise:

	31 Jul 23	31 Jul 22
	£'000	£'000
Non-derivative securities	(5,269)	(7,748)
<b>Net capital losses</b>	<b>(5,269)</b>	<b>(7,748)</b>

## 3. Portfolio Transaction Costs

Analysis of total trade costs:

	Purchases		Sales	
	31 Jul 23	31 Jul 22	31 Jul 23	31 Jul 22
	£'000	£'000	£'000	£'000
Collective investment schemes	82,772	68,118	68,238	46,966
<b>Trades in the year transaction costs</b>	<b>82,772</b>	<b>68,118</b>	<b>68,238</b>	<b>46,966</b>
<b>Taxes</b>				
Collective investment schemes	-	-	-	-
<b>Total Taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net trades in the year after transaction costs</b>	<b>82,772</b>	<b>68,118</b>	<b>68,238</b>	<b>46,966</b>

In the case of shares, commissions and taxes are paid by the Fund on each transaction. In addition, there is a dealing spread between the buying and selling prices of the underlying investments. Unlike shares, costs relating to other types of investments (such as bonds, money market instruments and derivatives) 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 0.00% (2022: 0.00%).

# Notes to the financial statements

For the year ended 31 July 2023

Total transaction cost expressed as a percentage of asset class:

	Purchases		Sales	
	31 Jul 23	31 Jul 22	31 Jul 23	31 Jul 22
	%	%	%	%
<b>Commissions</b>				
Collective investment schemes	-	-	-	-
<b>Taxes</b>				
Collective investment schemes	-	-	-	-

Total transaction cost expressed as a percentage of average NAV:

	31 Jul 23	31 Jul 22
	%	%
Commissions	-	-
Taxes	-	-
<b>Total</b>	-	-

# Notes to the financial statements

For the year ended 31 July 2023

## 4. Revenue

	31 Jul 23	31 Jul 22
	£'000	£'000
Distributions from regulated collective investment schemes:		
Franked investment income	445	321
Unfranked investment income	14	23
Interest distributions	2,045	1,027
Offshore distributions taxable	483	284
Bank interest	677	71
<b>Total revenue</b>	<b>3,664</b>	<b>1,726</b>

## 5. Expenses

	31 Jul 23	31 Jul 22
	£'000	£'000
<b>Payable to the Manager, associates of the Manager, and agents of either of them:</b>		
Manager's service charge*	788	727
<b>Total expenses</b>	<b>788</b>	<b>727</b>

During the year, the Manager has borne the auditor's fee of £13,308 (2022: £11,798) and all the fees charged by the Trustee, Financial Conduct Authority and the Registrar, including irrecoverable VAT where applicable.

\* The service charge is net of rebates to operating charges on the Fund paid by the Manager, as outlined in note 1(c) on page 18.

# Notes to the financial statements

For the year ended 31 July 2023

## 6. Taxation

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

	31 Jul 23	31 Jul 22
	£'000	£'000
Irrecoverable income tax	9	7
<b>Total current tax</b>	<b>9</b>	<b>7</b>
<b>Total taxation</b>	<b>9</b>	<b>7</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%. The differences are explained below:

	31 Jul 23	31 Jul 22
	£'000	£'000
Net revenue before taxation	2,867	995
Corporation tax of 20%	573	199
<b>Effects of:</b>		
Revenue not subject to taxation	(89)	(64)
Tax deductible interest distributions	(482)	(134)
Irrecoverable income tax	9	7
Double taxation relief - Total	(2)	(1)
<b>Total tax (note 6(a))</b>	<b>9</b>	<b>7</b>

Authorised Unit Trusts are exempt from tax on capital gains in the UK. Therefore, any capital gain is not included in the above reconciliation.

### (c) Factors affecting future tax charge:

At the year end, there were no factors affecting future tax charges (2022: £nil).

# Notes to the financial statements

For the year ended 31 July 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:

	31 Jul 23	31 Jul 22
	£'000	£'000
Interim	1,077	316
Final	1,836	692
	<b>2,913</b>	<b>1,008</b>
Add: Equalisation deducted on cancellation of units	54	9
Less: Equalisation received on issue of units	(109)	(29)
<b>Net distribution for the year</b>	<b>2,858</b>	<b>988</b>

Details of the distributions per unit are set out in the Distribution tables on page 29.

## 8. Debtors

	31 Jul 23	31 Jul 22
	£'000	£'000
Amounts receivable for issue of units	2,106	1,809
Income tax recoverable	7	5
<b>Total debtors</b>	<b>2,113</b>	<b>1,814</b>



# Notes to the financial statements

For the year ended 31 July 2023

## 9. Cash and bank balances

	31 Jul 23	31 Jul 22
	£'000	£'000
Cash and bank balances	-	1
<b>Total cash and bank balances</b>	<b>-</b>	<b>1</b>

## 10. Other creditors

	31 Jul 23	31 Jul 22
	£'000	£'000
Accrued expenses	69	63
<b>Total creditors</b>	<b>69</b>	<b>63</b>

## 11. Related party transactions

Investments managed by Virgin Money Unit Trust Managers Limited (VMUTM) are denoted in the Portfolio statement and purchases and sales of investments.

Revenue received from VMUTM related investments during the year was £143,585 (2022: £91,946).

Management fees paid to 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 £69,071 (2022: £62,983).

In order to maintain the operating charges of the Fund at 0.70% (2022: 0.70%) for class A Accumulation, 0.70% (2022: 0.70%) for class AE Accumulation and 0.40% (2022: 0.35%) for class Accumulation the Manager has rebated to the Fund an amount equivalent to the value of the operating charges incurred by investing in the underlying securities. For the year ended 31 July 2023 the rebate amounted to £84,946 (2022: £76,289).

Investments managed by subsidiaries of abrtn plc are denoted in the Portfolio statement and purchases and sales of investments.

Revenue received from investments managed by subsidiaries of abrtn plc during the year was £2,202,552 (2022: £1,567,319).

## 12. Capital commitments and contingent liabilities

On 31 July 2023, the Fund had no capital commitments (2022: £nil) and no contingent liabilities (2022: £nil).

# Notes to the financial statements

For the year ended 31 July 2023

## 13. 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. As the Fund invests in equities and collective investment schemes, the Fund is exposed to a significant level of other price risk.	The Manager carries out regular monitoring of the performance of the fund. The Investment Adviser only selects portfolio holdings which are in line with the investment objective of the fund and the Manager carries out a separate periodic review of the portfolio holdings to ensure they are in line with the investment objective and that all relevant regulations are being met.	See 13(b).
<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.	The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the Fund's direct exposure to interest rate risk is considered insignificant. This is consistent with the exposure during the year.	No formal mitigation techniques are adopted by the Investment Adviser or the Manager. Investments in fixed interest rate securities is wholly consistent with the Fund's investment objective.	Not applicable.

# Notes to the financial statements

For the year ended 31 July 2023

Risk	Risk definition	Risk background and significance	Mitigation technique	Quantitative analysis
<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.	Not applicable.
<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. Issuer risk is considered to be significant as the majority of the Fund's assets are collective investment schemes where the issuer has monetary obligations to the Fund.	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.

# Notes to the financial statements

For the year ended 31 July 2023

## (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.

A 1% increase in the market price of investments at 31 July 2023 compared to the fair value reported would have caused net capital gains to increase by £1,321,760 (2022: £1,200,880) and the net asset value to increase by £1,321,760 (2022: £1,200,880). A decrease would have had an equal and opposite effect.

## (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 the current year. However the influence of currency movements on sterling-denominated investments is not separately quantified.

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

	31 Jul 23		
	A Accumulation Units	AE Accumulation Units	Accumulation Units
Opening units in issue on 01 Aug 22	122,037,054	1,979,279	1,000
Creations during the year	27,977,254	521,000	66,902
Cancellations during the year	(13,366,653)	(350,880)	(8,107)
<b>Closing units in issue on 31 Jul 23</b>	<b>136,647,655</b>	<b>2,149,399</b>	<b>59,795</b>

## 15. Fair value hierarchy

Valuation technique - Investments	31 Jul 23		31 Jul 22	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Level 1	-	-	-	-
Level 2	132,176	-	120,088	-
Level 3	-	-	-	-
	<b>132,176</b>	<b>-</b>	<b>120,088</b>	<b>-</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.

## 16. Subsequent events

The Investment Policy of the Virgin Money Defensive Fund has been amended to implement a new investment strategy to enable the inclusion of ESG factors in the choice of underlying investment funds. The changes are effective 1 September 2023.

# Distribution tables

For the year ended 31 July 2023

## Distribution in pence per unit

### Interim distribution paid 31 March 2023

Group 1 Units purchased prior to 1 August 2022  
 Group 2 Units purchased from 1 August 2022 to 31 January 2023 inclusive

	Revenue (p)	Equalisation (p)	Distribution paid 31 Mar 23 (p)	Distribution paid 31 Mar 22 (p)
<b>A Accumulation units</b>				
Group 1	0.8145	-	0.8145	0.2770
Group 2	0.5156	0.2989	0.8145	0.2770
<b>AE Accumulation units</b>				
Group 1	0.8139	-	0.8139	0.2767
Group 2	0.5156	0.2983	0.8139	0.2767
<b>Accumulation units<sup>^</sup></b>				
Group 1	0.9320	-	0.9320	0.0000
Group 2	0.9320	0.0000	0.9320	0.0000

<sup>^</sup>Share class Accumulation Units was launched on 3 February 2022.

# Distribution tables

For the year ended 31 July 2023

## Final distribution paid 29 September 2023

Group 1 Units purchased prior to 1 February 2023  
 Group 2 Units purchased from 1 February 2023 to 31 July 2023 inclusive

	Revenue (p)	Equalisation (p)	Distribution paid 29 Sep 23 (p)	Distribution paid 30 Sep 22 (p)
<b>A Accumulation units</b>				
Group 1	1.3226	-	1.3226	0.5580
Group 2	0.8646	0.4580	1.3226	0.5580
<b>AE Accumulation units</b>				
Group 1	1.3227	-	1.3227	0.5575
Group 2	0.8674	0.4553	1.3227	0.5575
<b>Accumulation units</b>				
Group 1	1.4292	-	1.4292	0.6910
Group 2	0.8072	0.6220	1.4292	0.6910

## 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 31 July 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 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 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

28 November 2023



**David Taylor**

Director

28 November 2023

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

For the year ended 31 July 2023

## Opinion

We have audited the financial statements of the Trust for the year ended 31 July 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 18 and 19.

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 31 July 2023 and of the net revenue and the net capital losses 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 Defensive Fund (the 'Trust')

For the year ended 31 July 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 Defensive Fund (the 'Trust')

For the year ended 31 July 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 31, 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  
20 Castle Terrace  
Edinburgh  
EH1 2EG

28 November 2023

# Manager's remuneration (unaudited)

For the year ended 31 July 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 Defensive 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 Defensive Fund Reporting period: 01/08/22 – 31/07/23	Headcount	Total Remuneration £'000 <sup>1</sup>	Proportion relevant to Virgin Money Defensive Fund £'000 <sup>2</sup>
VMUTM Code staff <sup>3</sup>	19		
Total remuneration		1,852	60
of which			
Fixed remuneration		1,458	47
Variable remuneration		394	13

<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 Defensive 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 Defensive Fund (“the Trust”)**

For the year ended 31 July 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,  
28 November 2023**

**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