



The Virgin Money Bond Fund (formerly known as The Virgin Money Bond and Gilt Fund)*

**Final Report and Financial Statements
For the year ended 1 October 2022**

* Name changed on 1st December 2022.

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Management and professional services

For the year ended 1 October 2022

Manager (the 'Manager')

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

Directors:

S. Bruce (Resigned 30 June 2022)
J. Byrne
H. Chater
D. Mouille (Appointed 30 June 2022)
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
319 St. Vincent Street
Glasgow
G2 5AS

* 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 2022

Investment Objective, Policy and Strategy

Subsequent to the reporting date, on the 1st December 2022, the Virgin Money Bond and Gilt Fund ("the Fund") changed its name to the Virgin Money Bond Fund, with some changes in investment objective, policy and strategy which are detailed in the Subsequent Events section on page 40. The following section reflects the strategy which was in place for the Fund during the reporting period.

The investment objective of the Virgin Money Bond and Gilt Fund ("the Fund") during the reporting period was to provide a total return (predominantly income but also any capital growth) from bonds and gilts. The Fund aims to achieve this by tracking the performance of a composite index, comprising 50% the FTSE 5-15 Year Gilt Index and 50% the Bank of America Merrill Lynch 5-15 Year AAA-A Non-Gilt Index, measured annually, less charges.

The Fund invests 50% of its assets in bonds issued by the UK Government (known as "gilts") and 50% in other bonds. These other bonds comprise:

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

All bonds are denominated in sterling.

The Fund pursues a low risk strategy by investing in medium term (5 to 15 years) gilts, whilst its other bonds are highly rated (AAA-A) by leading credit agencies. This means a lower risk of non-payment compared to lower rated bonds.

An Investment Advisor manages the Fund and seeks to match closely the composition of the composite index by only investing in the bonds and gilts that make up the two indices referenced in the investment objective. This means that the Fund is "passively" managed, as it only invests in line with these indices.

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 UCITS¹ 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 14 of the financial statements.

Unit Trust schemes are not permitted by the Regulations² 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 Synthetic Risk & Reward Indicator (SRRI) for the Bond Fund has changed from a 3 to a 4, on a scale of 1-7, 1 being very low risk (cash-like) and 7 being high risk. 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').

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

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

Manager's investment report

For the year ended 1 October 2022

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 2022 for the Income Unit Class will be 0.5607p net per unit payable on 1 December 2022.

The total distribution for the year is 1.0392p net per unit.

AE Income Unit Class³

The final distribution for the year ended 1 October 2022 for the AE Income Unit Class will be 0.4455p net per unit payable on 1 December 2022.

The total distribution for the year is 0.8258p net per unit.

Fund Performance

For the year ended 1 October 2022, the net asset value of each unit decreased by 22.99%⁴ from 131.57p to 101.32p.

The Fund is managed to match closely the performance of its Index and minimise deviations in return performance (the 'tracking error') compared to the Index. Over any twelve month period the tracking error of the Fund is expected to be within 20 basis points (0.20%) of the composite index. The tracking error at the end of the period was 0.31%⁵. In the last month of the reporting period the Fund performance differed to that of the benchmark, this created the over target Tracking Error. The last month of the period saw unprecedented turbulence in the UK bond markets in the wake of a badly received mini-Budget and the Tracking Error was caused by the turbulence creating a difference in the pricing of the benchmark at 12pm compared to the pricing of the Fund at 5pm.

Significant Events

On 24 February 2022, Russia launched a military offensive against Ukraine resulting in widespread sanctions on Russia and heightened security and cyber threats. Market disruptions associated with this geopolitical event have had a global impact, and uncertainty persists as to the implications. Such disruptions can adversely affect assets of funds and performance thereon, specifically Russian and Ukrainian assets. Whilst the impact of the conflict was captured within market prices as at 01 October 2022, the year end of the Virgin Money Bond Fund, the outlook for many capital markets remains volatile, and the net asset value of the Fund has fluctuated since the year-end and is likely to continue to do so. The Manager has also evaluated, and will continue to evaluate, the operational resilience of all service providers. The Manager's key suppliers do not have operations pertaining to the Manager in Ukraine or Russia.

³ 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.

⁴ Based on net asset value of the Income Unit Class.

⁵ 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 2022

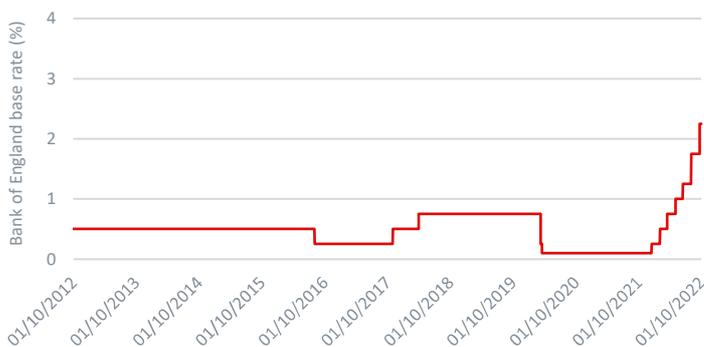
Markets overview for the 12 months to 1 October 2022

Investor optimism over the reopening of the global economy after the Covid-19 pandemic has long gone. It has been replaced by widespread concerns over the health of the world economy amid high inflation in many countries and rising interest rates in response. Prices were already climbing sharply before Russia invaded Ukraine in February, which caused energy prices to soar. Bond markets fell heavily in 2022.

Inflation bites:

- Inflation was initially stoked by labour shortages, supply-chain issues and rebounding demand after the pandemic lockdowns. These pressures were compounded by Russia's invasion of Ukraine in February. Reduced supply and strict sanctions against Russia sent energy and food prices even higher. This led to cost-of-living crises in many countries.
- Central banks responded to multi-decade-high inflation levels in Western economies by raising interest rates in an increasingly aggressive fashion. The US Federal Reserve, the most influential central bank, increased its key interest rate by 0.25% in March, its first rate hike since 2018. It followed with a 0.50% increase in May and unusually large 0.75% hikes in June, July and September.
- The Bank of England was the first major central bank to raise interest rates since the pandemic. It increased its base rate from 0.10% to 0.25% in December 2021 and followed with six more consecutive rate increases, as UK annual consumer price inflation hit a 40-year high.

Rising interest rates



- The European Central Bank (ECB) initially kept its main interest rate unchanged at emergency low levels. The ECB finally raised it by 0.50% in July and by 0.75% in September.
- Higher energy prices have been a key source of inflation and a major cause of the cost-of-living crisis. Oil prices climbed steadily from early November on growing demand. Before dropping in recent months, they peaked at over US\$120 per barrel in early May in the wake of Russia's invasion – the war led to partial bans on imports of the country's oil and coal. Natural gas prices also surged. European countries scrambled to build their gas reserves ahead of the European winter and Russia curtailed supplies to Western Europe.

Oil prices



Inflation and rising rates hit bond markets:

- UK government bonds endured a challenging 12 months, especially during an extremely tough 2022. Following years of ultra-low interest rates, a series of rate rises by central banks, including the Bank of England, trying to crush inflation caused a historic fall in the global bond markets. The winding up of bond-buying stimulus programmes added to the downward pressures on bond prices.
- Corporate bonds sold off heavily, as a combination of escalating inflation and rising interest rates proved highly challenging for all bond markets.
- UK bond markets suffered unprecedented turbulence in late September and October in the wake of a badly received mini-Budget by the new Prime Minister Liz Truss almost all of whose proposed measures were immediately reversed by her successor Rishi Sunak.

Fund performance:

- The value of the Fund decreased by 22.99% over the last 12 months.

Manager's investment report

For the year ended 1 October 2022

Assessment of Value

In keeping with Financial Conduct Authority (FCA) rules, we carry out an assessment for each of our funds to see whether they provide value for our customers. This assessment considers cost in the context of how the funds are designed, how they have performed and the other benefits too.

Below is a summary of our findings in relation to the Financial Conduct Authority (FCA) considerations for the assessment of value. For ease of reading, we have grouped our findings and conclusions across three features of value: Performance, Cost and Service, showing where we believe improvements can be made.

Performance

Consideration	Our summary findings
Customer Value	<p>The last 12 months have been difficult for investors, with the Virgin Money Bond Fund falling 16.8% over the year to end November 2022.</p> <p>The fund followed an index-tracking approach up until the recent changes we made on 1 December, and the return, whilst disappointing, was in line with its benchmark.</p> <p>Bonds have fallen in value because central banks around the world have been raising interest rates to combat inflation, which has been running at near 40-year highs. The Bank of England raised the UK base rate from 0.25% at the start of 2022, to 3.5% by mid-December, a rate of increase we have not seen since the late 1980s.</p> <p>Higher interest rates push down the value of bonds, many of which pay fixed rates of income, as the income becomes less attractive. Looking back over the last five years, the fund has fallen by just over 10% after charges.</p>
Market Context	<p>Over the last 12 months, the average return from other bond funds investing mainly in sterling (GBP) bonds was -11.3% over the same 12-month period. Some competitor funds were able to reduce losses by investing more in shorter maturity bonds, which are less affected by changes in interest rates.</p> <p>So, whilst the Virgin fund's strategy of investing in 5-to-15-year bonds shielded investors from the worst of the sell-off in bond markets (UK Government Bonds with 25 years+ until maturity lost over 40% of their value), other funds fared better.</p> <p>This underperformance was one of the reasons we made changes to how the fund invests, which we implemented on 1st December. This included moving away from the previous index-tracking approach, meaning our Investment Adviser (abrdn) can now choose which bonds to invest in, rather than having to follow the index. Selection of bonds now also includes environmental, social and governance (ESG) considerations.</p>
Scope for Improvement	<p>The key improvement we wanted to make, was how the fund chooses which bonds to invest in, and we are pleased to have successfully delivered those changes. We believe the new approach will deliver better returns going forward, and we will monitor this closely on your behalf.</p> <p>Also, as the fund now invests in companies which we believe are managing ESG risks and opportunities better than their peers, we are working on enhancing our reporting to be able to bring this to life for investors.</p>

Manager's investment report

For the year ended 1 October 2022

Cost

Consideration

Customer Value

Our summary findings

The annual cost of investing in the fund is 0.60%, deducted directly from the unit price. This is the total cost of investing, and includes the cost of administration and service, often charged separately by other providers.

Market Context

The average cost for similar bond funds is approximately 0.80% when considering administration and service. The Virgin fund is lower cost, but that is to be expected, as funds within the peer group are mostly actively managed and invest in a wider set of bonds.

The recent changes to the Virgin fund introduced elements of active management and new types of bonds to improve diversification. We are pleased to make these changes whilst maintaining the annual charge at 0.60%.

Scope for Improvement

We're looking to separate the cost of the fund from the administration and customer service, which would give our customers more transparency and enable easier price comparisons with other fund providers. It will be clearer what you are paying for. See scope for improvement under 'Service' below.

Service

Consideration

Customer Value

Our summary findings

We want to make investing as simple as possible, providing customers with jargon-free material and on and offline support. Our UK based call centre is available six days a week until 9pm on weekdays, with high customer satisfaction levels in providing the assistance our customers want. Historically, call waiting times have been short, although this deteriorated in early-mid 2022 caused by extended home working and recent market volatility, before improving towards the end of the review period. The volume of complaints received remains very low (at 0.4 per 1,000 customers) though the timeliness of complaint handling has deteriorated from the level we would like to see. Processing accuracy remains high at 99% over the last year.

Market Context

The performance of our call centre has been impacted by Covid-19 and staff working from home. Average call waiting time of just below 4 minutes is not where we would like it to be, and 14% of calls were abandoned, much higher than we would like. Our overall assessment of 'Service' is that over the last 12 months the service has taken a step backwards and is something we are keen to improve upon. We have taken steps to improve the performance of the customer call centre in recent months, and we plan to build on that as described below.

Scope for Improvement

We are looking at the overall customer experience we deliver, including new online and mobile functionality. We plan to write to customers with details of the new service this year, which will also include information about separating the fund cost from the administration cost as described above.

Manager's investment report

For the year ended 1 October 2022

Summary

We've reviewed the key features of the fund and customer service provided to investors and believe the charges taken from the fund are justified in terms of the overall value delivered to investors. This takes into consideration the recent changes to the investment strategy.

Market conditions have been tough over the last year and recent investment performance has been disappointing. We believe the changes to how the fund invests will lead to better investment returns compared to continuing with the old approach.

In line with an ambition to become a more responsible investor, we are pleased your fund now considers Environmental, Social and Governance (ESG) factors in bond selection, rather than simply investing in all the bonds within an index. Your fund now chooses which bonds to invest in, and which not, (rather than simply investing in all the bonds within an index), and we are pleased to have enhanced the fund in this way without increasing the cost to investors.

In terms of customer service, our UK-based call centre delivers consistently good experiences in terms of customer satisfaction. We have experienced some difficulties in terms of call centre availability, and speed of answering and abandonment rates have not been as good as would have liked over the last year.

We do have big plans for our overall customer service and are working with a new provider for some services. We plan to write to investors this year with information about these positive changes.

Comparative tables

As at 1 October 2022

Change in net assets per unit for the year ending	Income Units			AE Income Units		
	01 Oct 22 (p)	01 Oct 21 (p)	01 Oct 20 (p)	01 Oct 22 (p)	01 Oct 21 (p)	01 Oct 20 (p)
Opening net asset value per unit	131.57	137.60	136.11	104.55	109.31	108.13
Return before operating charges	(28.47)	(4.28)	3.65	(22.61)	(3.36)	2.90
Operating charges	(0.74)	(0.81)	(0.82)	(0.60)	(0.65)	(0.65)
Return after operating charges	(29.21)	(5.09)	2.83	(23.21)	(4.01)	2.25
Distributions on income units	(1.04)	(0.94)	(1.34)	(0.83)	(0.75)	(1.07)
Closing net asset value per unit	101.32	131.57	137.60	80.51	104.55	109.31
After direct transaction costs of :	-	-	-	-	-	-
Performance						
Return after operating charges (%)*	(22.20)	(3.70)	2.08	(22.20)	(3.67)	2.08
Other information						
Closing net asset value (£)	204,310,361	336,708,905	564,039,831	403,057	909,414	5,074,524
Closing number of units	201,656,729	255,917,940	409,917,345	500,658	869,839	4,642,400
Operating charges (%) [‡]	0.60	0.60	0.60	0.60	0.60	0.60
Direct transaction costs (%)	-	-	-	-	-	-
Prices						
Highest price (p)	134.40	139.70	139.40	106.80	111.00	110.70
Lowest price (p)	100.60	131.90	129.90	79.90	104.80	103.20

*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 2022

Security	Holdings	Market Value £'000	% of Net Assets
GILTS (50.07%*)		102,664	50.15
UK Treasury 4.25% 07/12/2027	7,629,400	7,577	3.70
UK Treasury 0.125% 31/01/2028 [†]	7,173,900	5,747	2.81
UK Treasury 1.625% 22/10/2028 [†]	8,750,300	7,522	3.67
UK Treasury 6% 07/12/2028 [†]	4,681,800	5,087	2.49
UK Treasury 0.5% 31/01/2029 [†]	4,056,000	3,207	1.57
UK Treasury 0.875% 22/10/2029 [†]	10,082,800	8,037	3.93
UK Treasury 0.375% 22/10/2030 [†]	8,992,800	6,682	3.26
UK Treasury 4.75% 07/12/2030 [†]	9,897,700	10,337	5.05
UK Treasury 0.25% 31/07/2031 [†]	9,393,500	6,700	3.27
UK Treasury 1% 31/01/2032 [†]	4,868,000	3,661	1.79
UK Treasury 4.25% 07/06/2032	9,322,900	9,443	4.61
UK Treasury 0.875% 31/07/2033	2,945,000	2,093	1.02
UK Treasury 4.5% 07/09/2034	8,381,900	8,623	4.21
UK Treasury 0.625% 31/07/2035	8,048,500	5,197	2.54
UK Treasury 4.25% 07/03/2036	7,323,500	7,368	3.60
UK Treasury 1.75% 07/09/2037	7,390,000	5,383	2.63
EUROSTERLING-CORPORATE (48.82%*)		99,327	48.52
A2Dominion Housing 3.5% 15/11/2028	300,000	256	0.13
Aegon 6.125% 15/12/2031	265,000	263	0.13
America Movil 4.948% 22/07/2033	360,000	316	0.15
America Movil 5.75% 28/06/2030	620,000	593	0.29
American Honda Finance 1.5% 19/10/2027	440,000	352	0.17
Anglian Water Services Financing 4.5% 05/10/2027	200,000	185	0.09
Anglian Water Services Financing 6.625% 15/01/2029	150,000	153	0.07
Anglian Water Services Financing 2.75% 26/10/2029	550,000	447	0.22
Anglian Water Services Financing 6.293% 30/07/2030	130,000	132	0.06
Apple 3.05% 31/07/2029	810,000	703	0.34
Artesian Finance II 6% 30/09/2033	368,000	378	0.18
Asian Development Bank 0.25% 28/10/2027	790,000	624	0.30
Asian Development Bank 0.75% 07/12/2027	770,000	624	0.30

Portfolio statement

As at 1 October 2022

Security	Holdings	Market Value £'000	% of Net Assets
Associated British Foods 2.5% 16/06/2034	450,000	316	0.15
Assura Financing 3% 19/07/2028	370,000	306	0.15
Assura Financing 1.5% 15/09/2030	280,000	195	0.10
Assura Financing 1.625% 30/06/2033	310,000	194	0.09
Aster Treasury 1.405% 27/01/2036	290,000	173	0.08
AstraZeneca 5.75% 13/11/2031	350,000	355	0.17
Athene Global Funding 1.75% 24/11/2027	490,000	375	0.18
Athene Global Funding 1.875% 30/11/2028	300,000	222	0.11
AXA 5.625% 16/01/2054	800,000	649	0.32
Bank of America 8.125% 02/06/2028	150,000	151	0.07
Bank of America 7% 31/07/2028	1,300,000	1,319	0.64
Bank of America 1.667% 02/06/2029	1,120,000	855	0.42
Banque Federative du Credit Mutuel 1.875% 26/10/2028	300,000	232	0.11
Banque Federative du Credit Mutuel 3.584% 27/04/2031	610,000	496	0.24
Belgium Government Bond 0.875% 07/12/2027	400,000	304	0.15
BG Energy Capital 5.7% 28/05/2032	150,000	159	0.08
BNG Bank 5% 04/11/2036	810,000	711	0.35
BNP Paribas 2.875% 24/02/2029	400,000	315	0.15
BNP Paribas 1.25% 13/07/2031	1,100,000	705	0.34
BNP Paribas 2% 13/09/2036	600,000	348	0.17
BNP Paribas 5.2% 07/12/2028	200,000	201	0.10
British Land 1.875% 14/12/2027	900,000	698	0.34
Broadgate Financing 2.375% 14/09/2029	260,000	197	0.10
Brown-Forman 4.851% 05/04/2031	197,349	186	0.09
Broadgate Financing 4.999% 05/10/2031	410,000	376	0.18
Broadgate Financing 5.098% 05/04/2033	231,400	204	0.10
Canary Wharf Finance II 2.6% 07/07/2028	260,000	217	0.11
Canary Wharf Finance II 5.952% 22/01/2035	400,000	400	0.20
Canary Wharf Finance II 6.455% 22/07/2030	235,868	236	0.12
Canary Wharf Finance II 6.8% 22/10/2033	182,262	183	0.09
Cargill Inc 5.375% 02/03/2037	150,000	144	0.07
Church Commissioners for England 3.25% 14/07/2032	270,000	228	0.11

Portfolio statement

As at 1 October 2022

Security	Holdings	Market Value £'000	% of Net Assets
CK Hutchison Group Telecom Finance 2.625% 17/10/2034	350,000	216	0.11
Clarion Funding 2.625% 18/01/2029	334,000	276	0.13
Clarion Funding 1.25% 13/11/2032	110,000	72	0.04
Clarion Funding 1.875% 22/01/2035	550,000	354	0.17
Close Brothers Finance 1.625% 03/12/2030	410,000	284	0.14
Comcast 1.5% 20/02/2029	610,000	466	0.23
Comcast 5.5% 23/11/2029	679,000	656	0.32
Comcast 1.875% 20/02/2036	830,000	536	0.26
Community Finance Co 1 5.017% 31/07/2034	620,000	589	0.29
Compass 2% 03/07/2029	370,000	288	0.14
Cooperatieve Rabobank 4.55% 30/08/2029	220,000	201	0.10
CPPIB Capital 1.25% 07/12/2027	490,000	405	0.20
CPPIB Capital 1.125% 14/12/2029	780,000	604	0.30
CTRL Section 1 Finance 5.234% 02/05/2035	683,841	697	0.34
Derwent London 1.875% 17/11/2031	380,000	256	0.13
Diageo Finance 2.375% 08/06/2028	280,000	232	0.11
Diageo Finance 2.875% 27/03/2029	340,000	286	0.14
Diageo Finance 1.25% 28/03/2033	380,000	248	0.12
Dignity Finance 3.5456% 31/12/2034	200,816	173	0.08
DWR Cymru Financing 6.015% 31/03/2028	382,000	379	0.19
DWR Cymru Financing 1.375% 31/03/2033	350,000	230	0.11
DWR Cymru Financing 2.5% 31/03/2036	260,000	182	0.09
East Japan Railway 1.162% 15/09/2028	350,000	267	0.13
East Japan Railway 4.75% 08/12/2031	350,000	323	0.16
East Japan Railway 5.25% 22/04/2033	250,000	238	0.12
East Japan Railway 4.875% 14/06/2034	250,000	231	0.11
East Japan Railway 4.5% 25/01/2036	250,000	221	0.11
Eastern Power Networks 2.125% 25/11/2033	500,000	340	0.17
Eastern Power Networks 1.875% 01/06/2035	330,000	209	0.10
Eastern Power Networks 6.25% 12/11/2036	380,000	386	0.19
Equinor 6.125% 27/11/2028	238,000	240	0.12
Equinor 6.875% 11/03/2031	826,000	887	0.43

Portfolio statement

As at 1 October 2022

Security	Holdings	Market Value £'000	% of Net Assets
ESB Finance 1.875% 21/07/2035	300,000	196	0.10
EUROFIMA 5.5% 07/06/2032	160,000	168	0.08
European Bank for Reconstruction & Development 5.625% 07/12/2028	690,000	719	0.35
European Investment Bank 3.75% 07/12/2027	390,000	369	0.18
European Investment Bank 0% 07/12/2028	350,000	261	0.13
European Investment Bank 6% 07/12/2028	2,700,000	2,854	1.39
European Investment Bank 4.5% 07/06/2029	989,000	972	0.47
European Investment Bank 5.625% 07/06/2032	2,104,000	2,276	1.11
European Investment Bank 3.875% 08/06/2037	1,190,000	1,103	0.54
Exchequer Partnership No 2 5.396% 13/07/2036	138,094	137	0.07
Federal National Mortgage Association 5.375% 07/12/2028	280,000	286	0.14
Folio Residential Finance No 1 1.246% 31/10/2027	210,000	166	0.08
GlaxoSmithKline Capital 3.375% 20/12/2027	620,000	544	0.27
GlaxoSmithKline Capital 1.25% 12/10/2028	810,000	619	0.30
GlaxoSmithKline Capital 5.25% 19/12/2033	1,011,000	966	0.47
GlaxoSmithKline Capital 1.625% 12/05/2035	794,000	505	0.25
Goldman Sachs 1.5% 07/12/2027	748,000	574	0.28
Goldman Sachs 7.25% 10/04/2028	539,000	545	0.27
Goldman Sachs 3.125% 25/07/2029	1,029,000	814	0.40
Goldman Sachs 3.625% 29/10/2029	790,000	654	0.32
Goldman Sachs 1.875% 16/12/2030	420,000	293	0.14
Greater Gabbard 4.137% 29/11/2032	272,281	248	0.12
HSBC 2.625% 16/08/2028	1,010,000	789	0.39
HSBC 3% 29/05/2030	770,000	585	0.29
ING Groep 1.125% 07/12/2028	800,000	591	0.29
Integrated Accommodation Services 6.48% 31/03/2029	264,728	271	0.13
Inter-American Development Bank 2.125% 15/12/2028	540,000	460	0.22
Inter-American Development Bank 2.375% 03/08/2029	300,000	256	0.13
International Bank for Reconstruction & Development 0.625% 14/07/2028	660,000	518	0.25
International Bank for Reconstruction & Development 4.875% 07/12/2028	200,000	200	0.10
International Bank for Reconstruction & Development 1.25% 13/12/2028	1,520,000	1,226	0.60
International Bank for Reconstruction & Development 1% 21/12/2029	1,830,000	1,414	0.69

Portfolio statement

As at 1 October 2022

Security	Holdings	Market Value £'000	% of Net Assets
International Bank for Reconstruction & Development 5.75% 07/06/2032	357,000	386	0.19
International Development Association 0.75% 21/09/2028	1,599,000	1,254	0.61
Investor AB 5.5% 05/05/2037	280,000	273	0.13
Isle of Man Government International Bond 5.375% 14/08/2034	210,000	215	0.11
JPMorgan Chase 1.895% 28/04/2033	790,000	543	0.27
JT International Financial Services 2.75% 28/09/2033	390,000	276	0.13
Juturna European Loan Conduit No 16 5.0636% 10/08/2033	623,325	601	0.29
Kreditanstalt fuer Wiederaufbau 0.75% 07/12/2027	778,000	629	0.31
Kreditanstalt fuer Wiederaufbau 6% 07/12/2028	3,300,000	3,498	1.71
Kreditanstalt fuer Wiederaufbau 5.75% 07/06/2032	1,560,000	1,708	0.83
Kreditanstalt fuer Wiederaufbau 5% 09/06/2036	740,000	773	0.38
Kreditanstalt fuer Wiederaufbau 4.875% 15/03/2037	300,000	310	0.15
Land Securities Capital Markets 2.399% 08/02/2029	330,000	272	0.13
Landwirtschaftliche Rentenbank 2.125% 15/12/2028	260,000	221	0.11
LCR Finance 4.5% 07/12/2028	1,267,000	1,247	0.61
Leeds Building Society 1.375% 06/10/2027	380,000	297	0.15
Legal & General Finance 5.875% 11/12/2031	410,000	407	0.20
Legal & General Finance 5.875% 05/04/2033	174,000	171	0.08
Lloyds Bank 6% 08/02/2029	1,280,000	1,325	0.65
Lloyds Bank 7.5% 22/03/2032	300,000	180	0.09
London & Quadrant Housing Trust 2.625% 28/02/2028	200,000	169	0.08
London & Quadrant Housing Trust 2.25% 20/07/2029	286,000	226	0.11
London & Quadrant Housing Trust 2% 31/03/2032	240,000	172	0.08
London & Quadrant Housing Trust 4.625% 05/12/2033	300,000	267	0.13
London Power Networks 2.625% 01/03/2029	100,000	81	0.04
London Stock Exchange 1.625% 06/04/2030	490,000	364	0.18
Longstone Finance 4.791% 19/04/2030	236,201	228	0.11
Lunar Funding I 5.75% 18/10/2033	270,000	271	0.13
Macquarie 4.08% 31/05/2029	310,000	256	0.13
Macquarie 2.125% 01/10/2031	440,000	299	0.15
Meadowhall Finance 4.986% 12/01/2032	369,464	339	0.17
Metropolitan Housing Trust 1.875% 28/07/2036	190,000	119	0.06

Portfolio statement

As at 1 October 2022

Security	Holdings	Market Value £'000	% of Net Assets
Metropolitan Life Global Funding I 0.625% 08/12/2027	470,000	357	0.17
Metropolitan Life Global Funding I 1.625% 12/10/2028	487,000	382	0.19
Metropolitan Life Global Funding I 1.625% 21/09/2029	560,000	423	0.21
Mitchells & Butlers Finance 5.574% 15/12/2030	189,849	179	0.09
Motability Operations 1.75% 03/07/2029	390,000	302	0.15
Motability Operations 5.625% 29/11/2030	360,000	359	0.18
Motability Operations 2.375% 14/03/2032	420,000	320	0.16
Motability Operations 3.625% 10/03/2036	600,000	489	0.24
Nationwide Building Society 3.25% 20/01/2028	480,000	410	0.20
Nats En Route 1.375% 31/03/2031	430,000	343	0.17
Nats En Route 1.75% 30/09/2033	350,000	239	0.12
Nederlandse Waterschapsbank 2.5% 04/04/2032	540,000	420	0.21
Nederlandse Waterschapsbank 5.375% 07/06/2032	398,000	417	0.20
Nestle 1.375% 23/06/2033	450,000	301	0.15
Network Rail Infrastructure Finance 4.375% 09/12/2030	910,000	892	0.44
Network Rail Infrastructure Finance 4.75% 29/11/2035	1,297,000	1,295	0.63
New York Life Global Funding 0.75% 14/12/2028	730,000	534	0.26
Nordea Bank 1.625% 09/12/2032	570,000	421	0.21
Northern Electric Finance 5.125% 04/05/2035	320,000	293	0.14
Northern Powergrid Yorkshire 4.375% 05/07/2032	350,000	310	0.15
Notting Hill Genesis 2.875% 31/01/2029	200,000	166	0.08
Notting Hill Genesis 3.75% 20/12/2032	420,000	351	0.17
Notting Hill Genesis 2% 03/06/2036	290,000	183	0.09
Octagon Healthcare Funding 5.333% 31/12/2035	243,361	243	0.12
Oesterreichische Kontrollbank 5.75% 07/12/2028	160,000	167	0.08
Optivo Finance 2.857% 07/10/2035	370,000	266	0.13
Pacific Quay Finance 5.5653% 25/07/2034	127,222	123	0.06
Paragon Treasury 2% 07/05/2036	370,000	238	0.12
Peabody Capital No 2 2.75% 02/03/2034	400,000	293	0.14
PepsiCo 3.2% 22/07/2029	320,000	275	0.13
PepsiCo 3.55% 22/07/2034	490,000	407	0.20
Places for People Homes 3.625% 22/11/2028	320,000	275	0.13

Portfolio statement

As at 1 October 2022

Security	Holdings	Market Value £'000	% of Net Assets
Places for People Homes 5.875% 23/05/2031	190,000	185	0.09
Places For People Treasury 2.5% 26/01/2036	300,000	200	0.10
Procter & Gamble 1.8% 03/05/2029	490,000	390	0.19
Procter & Gamble 6.25% 31/01/2030	60,000	62	0.03
Prologis 2.25% 30/06/2029	500,000	393	0.19
Prologis International Funding II 2.75% 22/02/2032	340,000	254	0.12
Prs Finance 2% 23/01/2029	550,000	461	0.23
Prs Finance 1.5% 24/08/2034	440,000	300	0.15
Prudential 5.875% 11/05/2029	255,000	244	0.12
Quadrant Housing Finance 7.93% 10/02/2033	113,466	122	0.06
Realty Income 1.625% 15/12/2030	390,000	274	0.13
Realty Income 1.75% 13/07/2033	390,000	251	0.12
Reckitt Benckiser Treasury Services 1.75% 19/05/2032	519,000	371	0.18
Rio Tinto Finance 4% 11/12/2029	490,000	433	0.21
Santander UK 5.25% 16/02/2029	790,000	786	0.38
Santander UK 3.875% 15/10/2029	320,000	277	0.14
Segro 2.375% 11/10/2029	330,000	258	0.13
Segro 5.75% 20/06/2035	230,000	220	0.11
Shell International Finance 1% 10/12/2030	500,000	349	0.17
Sky 4% 26/11/2029	360,000	317	0.15
SNCF Reseau 5.25% 07/12/2028	669,000	672	0.33
SNCF Reseau 5.25% 31/01/2035	493,000	504	0.25
South Eastern Power Networks 6.375% 12/11/2031	690,000	700	0.34
Southern Gas Networks 4.875% 21/03/2029	397,000	367	0.18
Southern Housing 2.375% 08/10/2036	280,000	185	0.09
Southern Water Services Finance 6.192% 31/03/2029	360,000	357	0.17
Spain Government International Bond 5.25% 06/04/2029	210,000	209	0.10
Stonewater Funding 1.625% 10/09/2036	290,000	177	0.09
Telereal Securitisation 1.3657% 10/12/2031	292,608	243	0.12
Telereal Securitisation 5.5534% 10/12/2031	350,000	294	0.14
Telereal Securitisation 5.9478% 10/12/2031	350,000	286	0.14
Tennessee Valley Authority 5.625% 07/06/2032	259,000	272	0.13

Portfolio statement

As at 1 October 2022

Security	Holdings	Market Value £'000	% of Net Assets
THFC Funding No. 1 5.125% 21/12/2035	241,000	223	0.11
Total Capital International 1.405% 03/09/2031	400,000	287	0.14
Trafford Centre Finance 6.5% 28/07/2033	249,662	245	0.12
Transport for London 4% 12/09/2033	506,000	416	0.20
Transport for London 5% 31/03/2035	240,000	217	0.11
UBS 1.875% 03/11/2029	440,000	329	0.16
Unilever 2.125% 28/02/2028	260,000	216	0.10
Unilever 1.875% 15/09/2029	270,000	211	0.10
United Utilities Water 5.625% 20/12/2027	318,000	310	0.15
United Utilities Water 5% 28/02/2035	180,000	164	0.08
United Utilities Water Finance 2.625% 12/02/2031	730,000	573	0.28
United Utilities Water Finance 2% 03/07/2033	388,000	267	0.13
Vinci 2.75% 15/09/2034	400,000	292	0.14
Volkswagen International Finance 4.125% 17/11/2031	500,000	403	0.20
Wales & West Utilities Finance 5% 07/03/2028	100,000	94	0.05
Wales & West Utilities Finance 5.75% 29/03/2030	331,000	321	0.16
Walmart 5.75% 19/12/2030	520,000	528	0.26
Walmart 5.625% 27/03/2034	999,000	1,013	0.49
Walmart 5.25% 28/09/2035	837,000	819	0.40
Wellcome Trust Finance 4.625% 25/07/2036	590,000	558	0.27
Wells Fargo 2.5% 02/05/2029	590,000	455	0.22
Wells Fargo 3.5% 12/09/2029	500,000	410	0.20
Wells Fargo 2.125% 24/09/2031	600,000	421	0.21
Wells Fargo 4.625% 02/11/2035	800,000	674	0.33
White City Property Finance 5.1202% 17/04/2035	349,909	339	0.16
Wods Transmission 3.446% 24/08/2034	226,675	198	0.10
Yorkshire Power Finance 5.5% 28/05/2037	200,000	190	0.09
Yorkshire Power Finance 7.25% 04/08/2028	50,000	52	0.02
Zurich Finance Ireland Designated Activity 5.125% 23/11/2052	500,000	412	0.20

Portfolio statement

As at 1 October 2022

Security	Holdings	Market Value £'000	% of Net Assets
DERIVATIVES (0.00%*)		(3)	-
10-Year Long Gilt Futures December 2022	(1)	(3)	-
Portfolio of investments		201,988	98.67
Net other assets (1.11%*)		2,725	1.33
Net assets		204,713	100.00

*Comparative figures shown in brackets relate to percentage of total net assets at 1 October 2021.

† These securities are being used in stock lending arrangements at 1 October 22.

Credit Ratings of Investments

	Market Value £'000	% of Net Assets
AAA	28,229	13.77
AA	122,465	59.83
A	51,297	25.07
Futures	(3)	-
	201,988	98.67

Financial derivative instrument risk exposure

The exposure obtained through financial derivative instruments and the identity of counterparties as at 1 October 2022 was as follows:

Counterparty	Value of Exposure £'000 1 Oct 22	Value of Exposure £'000 1 Oct 21
Bank of America Securities	(3)	-
Merrill Lynch	-	5

Top purchases and sales of investments

For the year ended 1 October 2022

Purchases	Cost £'000
UK Treasury 1.75% 07/09/2037	6,119
UK Treasury 1% 31/01/2032	5,010
UK Treasury 0.5% 31/01/2029	3,969
UK Treasury 0.25% 31/07/2031	1,769
UK Treasury 4.75% 07/12/2030	1,681
UK Treasury 4.25% 07/06/2032	1,557
International Bank for Reconstruction & Development 1.25% 13/12/2028	1,513
UK Treasury 4.5% 07/09/2034	1,458
European Investment Bank 3.875% 08/06/2037	1,393
UK Treasury 0.875% 22/10/2029	1,297
UK Treasury 4.25% 07/03/2036	1,260
UK Treasury 1.625% 22/10/2028	1,195
UK Treasury 4.25% 07/12/2027	1,182
BNG Bank 5% 04/11/2036	1,104
UK Treasury 0.375% 22/10/2030	1,096
UK Treasury 0.625% 31/07/2035	912
UK Treasury 0.125% 31/01/2028	899
UK Treasury 0.875% 31/07/2033	846
AXA 5.625% 16/01/2054	816
UK Treasury 6% 07/12/2028	812
Other purchases	29,241
Total for the year	65,129

Top purchases and are those that constitute the largest twenty of the total purchases for the year.

Top purchases and sales of investments

For the year ended 1 October 2022

Sales	Proceeds £'000
UK Treasury 1.25% 22/07/2027	12,403
UK Treasury 0.375% 22/10/2026	6,807
UK Treasury 4.75% 07/12/2030	5,153
UK Treasury 4.25% 07/06/2032	4,776
UK Treasury 4.5% 07/09/2034	4,494
UK Treasury 0.875% 22/10/2029	3,974
UK Treasury 4.25% 07/03/2036	3,902
UK Treasury 1.625% 22/10/2028	3,663
UK Treasury 4.25% 07/12/2027	3,644
UK Treasury 0.375% 22/10/2030	3,355
UK Treasury 0.25% 31/07/2031	3,263
UK Treasury 0.625% 31/07/2035	2,816
UK Treasury 0.125% 31/01/2028	2,752
Electricite de France 6.125% 02/06/2034	2,591
UK Treasury 6% 07/12/2028	2,498
International Bank for Reconstruction & Development 0.75% 15/12/2026	2,301
Province of Ontario Canada 0.25% 15/12/2026	1,991
Lloyds Bank 4.875% 30/03/2027	1,703
International Bank for Reconstruction & Development 0.25% 23/09/2027	1,569
European Investment Bank 0.75% 22/07/2027	1,404
Other sales	53,414
Total for the year	128,473

Top sales are those that constitute the largest twenty of the total sales for the year.

Securities Financing Transactions (SFTs)

For the year ended 1 October 2022

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 2022, unless stated otherwise.

Global data

Proportion of securities on loan	£'000	%
Total lendable assets excluding cash and cash equivalents	196,435	
Securities on loan	39,244	19.98

Assets engaged in SFTs	£'000	%
Fund assets under management	206,581	
Absolute value of assets engaged in securities lending	39,244	19.00

Concentration data

(a) Top issuers of collateral provided to the Fund by value received	£'000
Government of United Kingdom	40,716

(b) Top counterparties by name and value of outstanding transactions	£'000
Citigroup Global Markets (UK)	19,916
JP Morgan Securities	19,328

Securities Financing Transactions (SFTs)

For the year ended 1 October 2022

Aggregate transaction data

Type, quality and currency of collateral received

Type	Quality	Currency	£'000
Fixed Income	Investment Grade	Sterling	40,716

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	-	-	-	-	-	40,716	-	40,716

Counterparty details

Type	Countries of counterparty establishment	Settlement and clearing	£'000
Securities lending	United Kingdom	Tri-party	40,716

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	-	-	-	-	-	-	39,244	39,244

Re-use of collateral

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

Securities Financing Transactions (SFTs)

For the year ended 1 October 2022

Safekeeping of collateral received

Names of custodians safekeeping collateral and value held	£'000
State Street	40,716
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 2022

	Collective investment undertaking	Manager of collective investment undertaking	Third parties (e.g. lending agent)	Total
Gross return (£'000)	38	-	25	63
Proportion of gross return (%)	60	-	40	100
Cost (£'000) ^Δ	-	-	25	25

^ΔAll direct costs from securities lending are borne by the lending agent.

Statement of total return

For the year ended 1 October 2022

		1 Oct 22		1 Oct 21	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital losses	2		(64,862)		(16,749)
Revenue	4	3,966		5,003	
Expenses	5	(1,660)		(2,317)	
Interest payable and similar charges		-		(2)	
Net revenue before taxation		2,306		2,684	
Taxation	6	-		-	
Net revenue after taxation			2,306		2,684
Total return before distributions			(62,556)		(14,065)
Distributions	7		(2,306)		(2,684)
Change in net assets attributable to unitholders from investment activities			(64,862)		(16,749)

Notes to the financial statements are on pages 27 to 40.

Statement of change in net assets attributable to unitholders

For the year ended 1 October 2022

	1 Oct 22		1 Oct 21	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		337,618		569,114
Amounts receivable on issue of units	9,880		17,596	
Amounts payable on cancellation of units	(77,923)		(232,756)	
		(68,043)		(215,160)
Dilution levy		-		413
Change in net assets attributable to unitholders from investment activities		(64,862)		(16,749)
Closing net assets attributable to unitholders		204,713		337,618

Balance sheet

As at 1 October 2022

			1 Oct 22		1 Oct 21
	Notes	£'000	£'000	£'000	£'000
Assets					
Fixed assets					
Investments			201,991		333,878
Current assets					
Debtors	8	4,397		9,190	
Cash and bank balances	9	9		109	
Total current assets			4,406		9,299
Total assets			206,397		343,177
Liabilities					
Investment liabilities			(3)		-
Creditors					
Bank overdrafts		(127)		(361)	
Distribution payable	7	(1,133)		(1,193)	
Other creditors	10	(421)		(4,005)	
Total liabilities			(1,684)		(5,559)
Net assets attributable to unitholders			204,713		337,618

Notes to the financial statements are on pages 27 to 40.

Notes to the financial statements

For the year ended 1 October 2022

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 considered the impact of the emergence and spread of COVID-19 and potential implications on future operations of the Fund of reasonably plausible downside scenarios. The Manager has undertaken a detailed assessment of, 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 Fund has adequate financial resources to continue in operation 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 41). 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 30 September 2022, 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 2022

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 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 2022

2. Net Capital Losses

The net capital losses during the year comprise:

	1 Oct 22	1 Oct 21
	£'000	£'000
Non-derivative securities	(64,724)	(16,722)
Futures contracts	(138)	(27)
Net capital losses	(64,862)	(16,749)

3. Portfolio Transaction Costs

Analysis of total trade costs:

	Purchases		Sales	
	1 Oct 22	1 Oct 21	1 Oct 22	1 Oct 21
	£'000	£'000	£'000	£'000
Bonds	65,129	131,178	128,473	337,241
Derivatives	-	-	-	-
Trades in the year before transaction costs	65,129	131,178	128,473	337,241
Commissions				
Bonds	-	-	-	-
Derivatives	-	-	-	-
Total Commissions	-	-	-	-
Taxes				
Bonds	-	-	-	-
Derivatives	-	-	-	-
Total Taxes	-	-	-	-
Total net trades in the year after transaction costs	65,129	131,178	128,473	337,241

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 0.45% (2021: 0.24%).

Notes to the financial statements

For the year ended 1 October 2022

4. Revenue

	1 Oct 22	1 Oct 21
	£'000	£'000
Interest on debt securities	3,932	4,978
Stock lending income	34	25
Total revenue	3,966	5,003

5. Expenses

	1 Oct 22	1 Oct 21
	£'000	£'000
Payable to the Manager, associates of the Manager, and agents of either of them:		
Manager's service charge	1,660	2,317
Total expenses	1,660	2,317

During the year, and the comparative period, the Manager has borne the auditor's fee of £14,766 (2021: £14,335) 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 2022

6. Taxation

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

	1 Oct 22	1 Oct 21
	£'000	£'000
Total taxation	-	-

(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% (2021: 20%).

The differences are explained below:

	1 Oct 22	1 Oct 21
	£'000	£'000
Net revenue before taxation	2,306	2,684
Corporation tax of 20% (2021: 20%)	461	537
Effects of:		
Tax deductible interest distributions	(461)	(537)
Total current tax (note 6(a))	-	-

(c) Deferred tax:

There is no provision required for deferred taxation at 1 October 2022 (2021: £nil).

Notes to the financial statements

For the year ended 1 October 2022

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 22	1 Oct 21
	£'000	£'000
Interim	1,074	1,261
Final	1,133	1,193
	2,207	2,454
Add: Equalisation deducted on cancellation of units	118	261
Less: Equalisation received on issue of units	(19)	(31)
Net distribution for the year	2,306	2,684

Details of the distributions per unit are set out in the Distribution tables on page 41.

8. Debtors

	1 Oct 22	1 Oct 21
	£'000	£'000
Accrued revenue	2,536	2,988
Sales awaiting settlement	1,861	6,202
Total debtors	4,397	9,190

9. Cash and bank balances

	1 Oct 22	1 Oct 21
	£'000	£'000
Cash and bank balances	-	-
Amounts held at futures clearing houses and brokers	9	109
Total cash and bank balances	9	109

Notes to the financial statements

For the year ended 1 October 2022

10. Other creditors

	1 Oct 22	1 Oct 21
	£'000	£'000
Accrued expenses	171	177
Amounts payable on cancellation of units	250	348
Purchases awaiting settlement	-	3,480
Total creditors	421	4,005

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 £110,140 (2021: £177,049).

Revenue received from Virgin Money UK PLC related investments during the year was £nil (2021: £38,850).

12. Capital commitments and contingent liabilities

On 1 October 2022, the Fund had no capital commitments (2021: £nil) and no contingent liabilities (2021: £nil).

13. Securities on loan

The aggregate value of securities on loan at 1 October 2022 was £39,244,054 (2021: £60,431,464). 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 2022 is £40,715,731 (2021: £62,399,249), of which £0 (2021: £0) is in equities and £40,715,731 (2021: £62,399,249) is in bonds.

Counterparty	1 Oct 22		1 Oct 21	
	Value of stock loan £'000	Collateral held £'000	Value of stock loan £'000	Collateral held £'000
Citigroup Global Markets	19,916	20,660	20,753	21,452
JP Morgan Securities	19,328	20,056	27,304	28,182
Natwest Markets	-	-	12,374	12,765
Total	39,244	40,716	60,431	62,399

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 2022

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
1) Market risk	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.
1a) Other price risk	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 19.

Notes to the financial statements

For the year ended 1 October 2022

Risk	Risk definition	Risk background and significance	Mitigation technique	Quantitative analysis
1b) Interest rate risk	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)
1c) Currency risk	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 2022

Risk	Risk definition	Risk background and significance	Mitigation technique	Quantitative analysis
2) Credit risk	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.
3) Liquidity risk	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 2022

(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 £2,019,884 (2021: £3,336,259). 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 22

	Floating rate financial liabilities	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency	£'000	£'000	£'000	£'000
Sterling	(118)	201,991	2,840	204,713
Total	(118)	201,991	2,840	204,713

1 Oct 21

	Floating rate financial liabilities	Fixed rate financial assets	Financial assets not carrying interest	Total
Currency	£'000	£'000	£'000	£'000
Sterling	(252)	333,873	3,997	337,618
Total	(252)	333,873	3,997	337,618

Notes to the financial statements

For the year ended 1 October 2022

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

1 Oct 21

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	2.66	9.17
Eurosterling-Corporate	3.64	9.09

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 2022

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 2022, are disclosed in Note 2, Net capital 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 21	255,917,940	869,839
Creations during the year	7,828,083	5,742
Cancellations during the year	(62,089,294)	(374,923)
Closing units in issue on 1 Oct 22	201,656,729	500,658

Notes to the financial statements

For the year ended 1 October 2022

17. Fair value hierarchy

Valuation technique - Investments	1 Oct 22		1 Oct 21	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	102,664	(3)	169,067	-
Level 2	99,327	-	164,811	-
Level 3	-	-	-	-
	201,991	(3)	333,878	-

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.

18. Subsequent event

The Virgin Money Bond & Gilt Fund successfully completed a change in strategy and name on 1 December 2022. The fund's name has been simplified from "Virgin Money Bond & Gilt Fund" to "Virgin Money Bond Fund". The fund can now invest in a wider set of bonds, and adjust allocations based on the views of the Investment Adviser, as opposed to the previous fixed allocation approach. The fund also now uses Environmental, Governance and Social (ESG) considerations in determining which bonds to invest in, and how much to invest in each. All investors within the fund were written to in advance of the changes, which we believe set the fund up well for the future.

Subsequent to the reporting date the Fund's Synthetic Risk and Reward Indicator ('SRRI') has moved from 3 to 4.

Distribution tables

For the year ended 1 October 2022

Distribution in pence per unit

Interim distribution paid 1 June 2022

Group 1	Units purchased prior to 2 October 2021
Group 2	Units purchased from 2 October 2021 to 1 April 2022 inclusive

	Revenue (p)	Equalisation (p)	Distribution paid 1 Jun 22 (p)	Distribution paid 1 Jun 21 (p)
Income units				
Group 1	0.4785	-	0.4785	0.4744
Group 2	0.2205	0.2580	0.4785	0.4744

AE Income units

Group 1	0.3803	-	0.3803	0.3769
Group 2	0.3803	0.0000	0.3803	0.3769

Final distribution payable 1 December 2022

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

	Revenue (p)	Equalisation (p)	Distribution payable 1 Dec 22 (p)	Distribution paid 1 Dec 21 (p)
Income units				
Group 1	0.5607	-	0.5607	0.4648
Group 2	0.2951	0.2656	0.5607	0.4648

AE Income units

Group 1	0.4455	-	0.4455	0.3693
Group 2	0.3033	0.1422	0.4455	0.3693

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 2022

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.

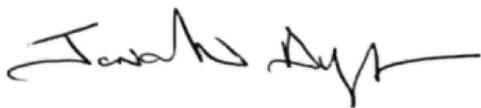
In preparing the financial statements the Manager is responsible for:

- > 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
23 January 2023



David Taylor
Director
23 January 2023

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

For the year ended 1 October 2022

Opinion

We have audited the financial statements of the Trust for the year ended 1 October 2022 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 27 and 28.

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 2022 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 Bond Fund (the 'Trust')

For the year ended 1 October 2022

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 substantively tested all material post-closing entries and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Manager 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 2022

Other Information

The Manager (Virgin Money Unit Trust Managers Limited) 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 42, 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.

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.



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

24 January 2023

Manager's remuneration

For the year ended 1 October 2022

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 abrdrn 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 abrdrn plc who are seconded full-time to VMUTM. It may also include employees of entities to which investment advice has been delegated.

Virgin Money UK PLC has a performance period running from 1 October to 30 September each year. abrdrn plc has a performance period running from 1 January to 31 December each year. Given the different accounting periods for the entities and funds concerned, amounts shown below reflect payments made from 1 January 2021 to 31 December 2021 inclusive.

Virgin Money Bond Fund Reporting period: 02/10/21-01/10/22	Headcount	Total Remuneration £'000 ¹	Proportion relevant to Virgin Money Bond Fund £'000 ²
VMUTM Code staff ³	17		
Total remuneration		2,090	184
of which			
Fixed remuneration		1,815	160
Variable remuneration		275	24

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

² 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 2021 compared to the average total assets under management in 2021 of all funds of which VMUTM is the manager.

³ 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 abrdrn 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 abrdrn 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 2022

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,
23 January 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