

Annual Report and Financial Statements

Virgin Money Personal Financial Service Limited

For the period ended 30 September 2020

Company Number: 03072766



Virgin Money Personal Financial Service Limited

Annual Report and Financial Statements

For the period ended September 2020

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Virgin Money Personal Financial Service Limited

Directors and Professional Advisors

For the period ended 30 September 2020

Directors	Hugh Chater Fergus Murphy
Company Secretary	Lorna McMillan
Company Number	03072766
Registered Office	Jubilee House Gosforth Newcastle-upon-Tyne NE3 4PL
Independent Auditors	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX

Virgin Money Personal Financial Service Limited

Strategic Report

The Directors of Virgin Money Personal Financial Service Limited (the "Company") present their Strategic Report for the period ended 30 September 2020.

Business Structure

The Company is a wholly owned subsidiary of Virgin Money Holdings (UK) PLC, a Company incorporated and registered in England and Wales. The ultimate parent undertaking, and ultimate controlling party is Virgin Money UK PLC. Virgin Money UK PLC is the largest group in which the financial statements of the Company are consolidated. The smallest group in which the financial statements of the Company are consolidated is that headed by CB PLC, a subsidiary of Virgin Money UK PLC. References in this Annual Report and Accounts to "Group" mean Virgin Money UK PLC and its subsidiaries.

With effect from 6 May 2020, the financial year end of the Company was changed from 31 December to 30 September to align with the year end of its ultimate parent company.

Principal activities

The Company distributes a range of insurance products in:

- Travel Insurance
- Life Insurance

The Company's business strategy is based on a partnership model, seeking to collaborate with businesses that share its commitment to straightforward and transparent products. The Company leverages its capabilities with the Virgin Money brand and marketing expertise.

Travel Insurance is arranged and administered by Insure & Go Insurance Services Ltd and is underwritten by MAPFRE Assistance. In response to the Covid-19 pandemic and emergency measures introduced earlier in the period, the Company suspended the sale of all new Travel Insurance policies in March 2020, as a temporary measure, to focus entirely on servicing existing travel insurance customers. New business policy sales resumed in September 2020, with an enhanced proposition, extending cover to include coronavirus cover for medical expenses as well as cancellations and trips-cut-short, for both new and existing customers. Distribution is currently limited to the direct channel and the Company does not expect to re-enter the aggregator channels until Quarter 2 2021. The Travel Insurance market has been significantly suppressed by the pandemic, with current demand at just 15% of the typical norm.

Life Insurance is arranged and administered in partnership with BGL Group. During the period, the Company and BGL maintained strong service levels for existing customers while continuing to offer competitively priced, comprehensive levels of cover. Life Insurance sales volumes remained strong throughout the period however there was a reduction in the uptake of the Critical Illness optional cover due to the economic environment which has led to a reduction of income per policy.

The Company's offering of Travel Money services in partnership with Travelex Currency Services Limited, was suspended in January 2020. The service is currently under review, with sales expected to resume in 2021.

The Company's partnership with World First UK Limited was ended during the period and as a result International Money Transfer (IMT) services to customers ceased in June 2020.

Financial performance

The key performance indicators in 2020 are shown in the table below:

Key Performance Indicators	9 months to 30 Sep 2020	12 months to 31 Dec 2019
Revenue (£'000)	2,053	3,762
Profit before taxation (£'000)	1,492	2,413

The Statement of Comprehensive Income for the period is set out on page 9. Revenue for the 9 month period decreased by £1,709,000 to £2,053,000 compared to £3,762,000 for the year ended 31 December 2019. Profit before taxation decreased by £921,000 to £1,492,000 in the current period, compared to £2,413,000 for the year ended 31 December 2019.

Virgin Money Personal Financial Service Limited

Strategic Report (continued)

The current period represents 9 months compared to 12 months in the prior period, taking this into account, revenue reduced by 27% primarily driven by a reduction in travel insurance commission following the suspension of new travel policy sales in March 2020. Revenue from life and critical illness insurance was also adversely impacted by higher clawbacks from cancelled policies and lower income per policy.

Revenue was further impacted by the withdrawal of Travel Money and termination of IMT.

Future developments

The Company intends to continue to service its customers and grow the Life Insurance business by ensuring the product offering remains competitive, meeting the customers' needs during the pandemic and beyond. A number of initiatives are planned to help meet this goal, such as continuous product reviews, affiliate and aggregator optimisation and growth of internal distribution channels.

Whilst Covid-19 dominates the short term view, the Company intends to continue to grow the Travel Insurance business over the medium term. Development efforts are committed to enhancing the digital proposition for new and renewing customers, and the continued growth of the annual multi-trip policy count to drive a sustainable long term income stream.

The Directors are mindful of the risks associated with Covid-19 and appropriate measures are in place to minimise disruption and ensure the continuation of the Company's operations. The Company's contingency plans are working well and there is no reason to believe that the Covid-19 situation will impact the going concern of the Company.

Principal risks

The Company is exposed to a variety of risks through its normal operations. The most significant risks are described below.

- **Outsourcing risk:** the risk that the Company fails in its responsibility to oversee and control third parties on which it is reliant for the performance of critical operational functions, including regulated activities. Failure to meet required standards may place the Company at risk of regulatory sanction and could result in loss of income or reputational damage. The Company manages this risk by performing due diligence on all third party providers and, following appointment, by performing regular monitoring of third parties against agreed service levels. In response to the Covid-19 pandemic, the Company has engaged with partners to ensure appropriate measures are in place to protect operations and service levels.
- **Compliance risk:** the risk that the Company fails to comply with its regulatory requirements with the potential that the Company:
 - treats customers unfairly, potentially exposing them to financial or other detriment;
 - is subject to legal or regulatory sanction;
 - suffers reputational damage; or
 - is used for the purposes of financial crime.

The Group Risk function supports the Company to develop policies, deliver training and perform monitoring checks to ensure compliance with regulatory requirements.

- **Operational risk:** the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. A range of indicators covering the Company's operations is reviewed by the Board regularly throughout the year. All key business processes are subject to periodic reviews by the Group's Risk and Internal Audit teams to ensure that appropriate controls are in place and operating effectively. In response to the Covid-19 pandemic, the Company's contingency plans are working well and appropriate measures are in place to minimise disruption and to ensure continuity of the Company's operations.
- **Credit risk:** the risk that a counterparty fails to pay the Company monies owed. The Company manages this risk by undertaking due diligence on prospective counterparties and monitoring their position on an ongoing basis.

Virgin Money Personal Financial Service Limited

Strategic Report (continued)

- **Liquidity risk:** the risk that the Company is unable to meet its obligations as they fall due. The Company's cash position is monitored on a regular basis and liquidity is supported by intercompany facilities if required.
- **Legal risk:** the risk of legal sanction, material financial loss or loss of reputation that the Company may suffer as a result of its failure to comply with the law, inadequately document its contractual arrangements or inadequately assess and implement changes required by forthcoming legislation or emerging case law. The Group Legal function supports the Company in meeting its contractual obligations and assessing legal developments.

Covid-19 continues to materially affect the Company's risk profile. There is a risk that continued economic uncertainty together with social and travel restrictions imposed to help curb the spread of the virus, results in a significant and sustained drop in income as there is less demand for travel insurance and travel money products, meaning less commission made through the Company's platform.

The Directors continue to monitor and manage impacts of Covid-19 with support and guidance from the Company's ultimate parent, Virgin Money UK PLC.

Miscellaneous reporting

As a wholly owned subsidiary, the governance structure of the Company is managed within the Virgin Money UK PLC Group.

The Directors have considered matters set out in section 172(1) of the Companies Act 2006, and details of stakeholder engagement relevant to the Company are set out on pages 61 - 63 of the Corporate governance report within the Virgin Money UK PLC Annual Report and Accounts.

The Strategic report was approved by the Board of Directors on 17 December 2020 and was signed on its behalf by:



Hugh Chater
Director

Virgin Money Personal Financial Service Limited

Directors' Report

The Directors submit the Annual Report and Accounts for the period ended 30 September 2020.

Dividends

No interim dividend was declared nor paid during the period (2019: £2.0 million). Further details are set out in note 13 to the financial statements.

Directors

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

Appointments

Hugh Chater (appointed 8 July 2020)

Fergus John Murphy (appointed 8 July 2020)

Resignations

David Duffy (resigned 8 July 2020)

Mark Thundercliffe (resigned 8 July 2020)

Ian Smith (resigned 8 July 2020)

Directors' powers and indemnities

Two former Directors of the Company each hold individual deeds of indemnity with the Company, each of which constitute 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deeds indemnify those Directors to the maximum extent permitted by law and remain in force for the duration of a Director's period of office and for a period of six years thereafter. The deeds were in force during the whole of the financial period. Deeds for those former Directors who resigned during the period, are available for inspection at the Company's registered office. In addition, the Company had appropriate Directors' and Officers' insurance cover, as well as Professional Indemnity insurance cover, in place throughout the 9 months ended 30 September.

Two of the Directors who resigned during the period each hold individual deeds of indemnity with Virgin Money UK PLC.

Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for at least 12 months from the approval of the financial statements. This assessment has taken into account the impact of Covid-19 on the Company's current financial position and results and the potential impact in future financial periods.

The Company's use of the going concern basis for the preparation of the accounts is discussed in note 1 to the financial statements.

Future developments

Information about future developments of the Company can be found in the Strategic Report.

Research and development activities

The Company does not undertake formal research and development activities.

Financial risk management objectives and policies

Information in relation to financial reporting and financial risk management objectives and policies in relation to the use of financial instruments can be found in note 14 to the financial statements.

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law.

Virgin Money Personal Financial Service Limited

Directors' Report (continued)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditors and disclosure of information to the auditors

EY were appointed as external auditor of the Group on 30 October 2018, in accordance with section 485 of the Companies Act 2006.

Each of the Directors who is in office at the time of approving the Report and whose name is listed on page 1 confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board on 17 December 2020 and signed on its behalf by:



Hugh Chater
Director

Virgin Money Personal Financial Service Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED

Opinion

We have audited the financial statements of Virgin Money Personal Finance Service Limited for the period ended 30 September 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

We have nothing to report in this regard.

Virgin Money Personal Financial Service Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN MONEY PERSONAL FINANCIAL SERVICE LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Blake Adlem (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Statutory Auditor, Edinburgh
18 December 2020

Virgin Money Personal Financial Service Limited

Statement of Comprehensive Income

		9 months to 30 Sep 2020 £'000	12 months to 31 Dec 2019 £'000
	Note		
Revenue	2	2,053	3,762
Operating expenses	3	(561)	(1,349)
Profit before taxation		1,492	2,413
Taxation	6	(140)	(198)
Profit for the period after tax attributable to equity holders		1,352	2,215
Total comprehensive income for the period attributable to equity holders		1,352	2,215

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


Virgin Money Personal Financial Service Limited

Balance Sheet

	Note	As at 30 Sep 2020 £'000	As at 31 Dec 2019 £'000
Assets			
Cash and cash equivalents	7	7,094	6,471
Amounts owed by group undertakings		284	–
Trade and other receivables	8	259	330
Corporation tax receivable		49	–
Deferred tax	9	22	23
Total assets		7,708	6,824
Liabilities			
Trade and other payables	10	12	–
Provisions for liabilities and charges	11	385	219
Amounts owed to group undertakings	12	329	975
Total liabilities		726	1,194
Equity			
Issued capital	13	3,000	3,000
Retained earnings		3,982	2,630
Total equity		6,982	5,630
Total equity and liabilities		7,708	6,824

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

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 17 December 2020.



Hugh Chater
Director
 Virgin Money Personal Financial Service Limited
 Registered No. 03072766

Virgin Money Personal Financial Service Limited

Statement of Changes in Equity

Attributable to equity holder

	Note	Issued capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020		3,000	2,630	5,630
Total comprehensive income for the period		–	1,352	1,352
Dividends to ordinary shareholder	13	–	–	–
Balance at 30 September 2020		3,000	3,982	6,982
Balance at 1 January 2019		3,000	2,415	5,415
Total comprehensive income for the year		–	2,215	2,215
Dividends to ordinary shareholder	13	–	(2,000)	(2,000)
Balance at 31 December 2019		3,000	2,630	5,630

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

Virgin Money Personal Financial Service Limited

Cash Flow Statement

		9 months to 30 Sep 2020 £'000	12 months to 31 Dec 2019 £'000
	Note		
Cash flows from operating activities			
Profit before taxation		1,492	2,413
(Increase)/decrease in trading amounts owed by other group undertakings		(284)	216
Decrease in trade and other receivables		71	2
(Decrease)/increase in amounts owed to group undertakings		(316)	316
Increase in trade and other payables		178	10
Cash generated from operations		1,141	2,957
Group relief/ Corporation Tax paid		(518)	–
Net cash provided by operating activities		623	2,957
Cash flows from financing activities			
Dividends paid to ordinary shareholder	13	–	(2,000)
Net cash outflow from financing activities		–	(2,000)
Net increase in cash and cash equivalents		623	957
Cash and cash equivalents at 1 January		6,471	5,514
Cash and cash equivalents at 30 September	7	7,094	6,471

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

Virgin Money Personal Financial Service Limited

Notes to the Financial Statements

Note 1: Accounting Policies

1.1 Reporting entity

Virgin Money Personal Financial Service Limited (the "Company") is incorporated and registered in England and Wales. The Company is a wholly owned subsidiary of Virgin Money Holdings (UK) PLC, a Company incorporated and registered in England and Wales. The ultimate parent undertaking, and ultimate controlling party is Virgin Money UK PLC. Virgin Money UK PLC is the largest group in which the financial statements of the Company are consolidated. The smallest group in which the financial statements of the Company are consolidated is that headed by CB PLC.

The consolidated financial statements of Virgin Money UK PLC may be obtained from Jubilee House, Gosforth, Newcastle upon Tyne, NE3 4PL.

1.2 Basis of preparation

The financial statements, which should be read in conjunction with the Strategic Report and the Directors' Report, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, including interpretations issued by the IFRS Interpretations Committee, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention and are presented in Sterling, which is the functional currency of the Company.

With effect from 6 May 2020, the financial year end of the Company was changed from 31 December to 30 September to align with the year end of its ultimate parent company. Accordingly, the current financial statements are prepared for 9 months from 1 January 2020 to 30 September 2020 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable.

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 2-4.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and at least 12 months from the approval of the financial statements, and therefore believe that the Company is well placed to manage its business risks successfully in line with its business model and strategic aims. This includes the impact of Covid-19 on the Company's current financial position and results and the potential impact in future financial periods. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.4 Accounting policies

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

Virgin Money Personal Financial Service Limited

Notes to the Financial Statements

Note 1: Accounting Policies (continued)

(a) Revenue

Revenue comprises commission receivable from the sale of travel insurance and life insurance policies. The Company also receives 'Other income' representing fees from corporate partners providing travel money and international money transfer services to customers.

Insurance commission income

This represents commissions' receivable from partners from the sale of general insurance and life insurance policies. The Company does not bear any underwriting risk relating to policies sold, nor is the Company entitled to receipt of premium income from the policyholder. The Company therefore is an agent in respect of the related insurance policies.

The Company's performance obligations under the contracts are to maintain sales channels to facilitate introduction of prospective policyholders to partners. The Company is also obliged to work jointly with those partners to agree pricing on new policies and, where relevant, pricing for renewal of existing policies.

The Company has determined that these performance obligations are satisfied at the point in time of successful placement of new or renewed policies. This is also the point at which commission becomes payable to the Company under its contracts with those partners.

Other income

Performance obligations to partners are satisfied at the point that the Company is entitled to the fees, which is when the related service has been provided to the customer.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. These balances are generally short-term in nature, and repayable on demand or within a short timescale (i.e. usually three months). Bank overdrafts form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(c) Taxation

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

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

Deferred tax assets and liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. A deferred tax asset is recognised for unused tax losses and unused tax credits only if it is probable that future taxable amounts will arise against which those temporary differences and losses may be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Virgin Money Personal Financial Service Limited

Notes to the Financial Statements

Note 1: Accounting Policies (continued)

(d) Financial Instruments

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

Management have assessed the Company's financial assets and concluded that all assets are held to collect contractual cash flows and that those cash flows represent solely the payment of principle and interest (the "SPPI test") and are therefore classified at amortised cost. They comprise the amounts owed by group undertakings, trade and other receivables and cash and cash equivalents.

All the Company's financial liabilities are classified at amortised cost and comprise amounts owed to Group undertakings and trade and other payables.

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

(e) Provisions

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

(f) Share capital

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

The Company's capital is represented by the issued capital and reserves and these are managed in order that there is sufficient capital to meet the needs of the Company in its operations. The Company has complied with all capital requirements set by the regulators throughout the period.

(g) Dividends paid

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved. Interim dividends are deducted from equity when they are no longer at the discretion of the Company.

Proposed final dividends for the period are disclosed as an event after the balance sheet date and accounted for in the subsequent accounting period.

Virgin Money Personal Financial Service Limited

Notes to the Financial Statements

Note 1: Accounting Policies (continued)

1.5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on Management's best knowledge of the amount, actual results ultimately may differ from those estimates. This is reviewed at each reporting date by the Directors.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below:

Critical judgements in applying accounting policies - Revenue recognition

The Company recognises revenue for commission receivable from partners on the sale of general insurance and life insurance products to policyholders. However, the Company does not recognise any revenue for premiums payable by policyholders.

The terms of the contracts with insurance product providers have been assessed and the Company has determined that it acts as an agent in respect of insurance premiums payable by policyholders rather than as principal. The following factors were considered which support this conclusion:

- the Company does not bear any underwriting risk in respect of the policies sold;
- the Company does not set underwriting criteria; and
- the Company does not collect the premium income from the policyholder or deal with the administrative requirements in connection with the products sold.

1.6 New accounting standards and interpretations

(a) New accounting standards and interpretations adopted

The Company has adopted a number of International Accounting Standards Board (IASB) pronouncements in the current financial period. The adoption of these amendments to standards or interpretations had an insignificant impact on the Company and did not result in any change in accounting policies, and include:

- Amendments to references to the 'Conceptual Framework in IFRS Standards', issued in March 2018 and effective for financial years beginning on or after 1 January 2020. The amendments are adopted for use in the EU and were issued following the IASB's publication of a revised version of its Conceptual Framework for Financial Reporting and updates the references in IFRS standards to previous versions of the Conceptual Framework.
- Amendments to IAS 1: 'Presentation of Financial Statements' and IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' issued in October 2018 and effective prospectively for financial years beginning on or after 1 January 2020. The amendments are adopted for use in the EU and provide clarification on the definition of 'material'.

(b) New accounting standards and interpretations not yet adopted

There are a number of other standards, interpretations and amendments that have not been applied by the Company in preparing these financial statements as they are either not available for adoption in the EU or are not mandatory for the Company as at 30 September 2020. The pronouncements are not expected to have a material impact.

Virgin Money Personal Financial Service Limited

Notes to the Financial Statements

Note 2: Revenue

All revenue is derived within the UK.

An analysis of revenue from operations by class of business is as follows:

	9 months to 30 Sep 2020 £'000	12 months to 31 Dec 2019 £'000
Insurance commission income	3,363	6,397
Other income	55	283
Total income	3,418	6,680
Insurance commission expense	(1,365)	(2,918)
Net Revenues	2,053	3,762

Note 3: Operating Expenses

	9 months to 30 Sep 2020 £'000	12 months to 31 Dec 2019 £'000
Recharges from fellow Group subsidiary undertakings	524	1,215
Other operating charges	37	134
Operating expenses	561	1,349

Other operating charges reflect third party expenses, licence fees for use of the Virgin Money trademark and other administration expenses.

Auditor's remuneration

	9 months to 30 Sep 2020 £'000	12 months to 31 Dec 2019 £'000
Fees payable to the Company's auditors for the audit of the Company's accounts	12	18

Note 4: Directors' Remuneration

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

None of the Directors were remunerated primarily for their services to Virgin Money Personal Financial Service Limited, and it is not possible to determine the proportion of remuneration that relates to this Company.

Note 5: Employee Information

The Company did not directly employ any staff during the period. The services of individuals were obtained in exchange for payments to other Group companies.

Virgin Money Personal Financial Service Limited

Notes to the Financial Statements

Note 6: Taxation

	9 months to 30 Sep 2020 £'000	12 months to 31 Dec 2019 £'000
Current tax		
Group relief payable	139	190
Current tax charge	139	190
Deferred tax		
Reversal of temporary differences	1	8
Deferred tax charge	1	8
Tax expense for the period	140	198

Tax Reconciliation

The tax on the Company's profit before tax differs from that which would arise using the standard weighted average rate of UK corporation tax of 19% (2019: 19%) as follows:

	9 months to 30 Sep 2020 £'000	12 months to 31 Dec 2019 £'000
Profit before taxation	1,492	2,413
Tax charge at effective corporation tax rate of 19% (2019: 19%)	(284)	(458)
Effects of:		
Group relief not paid for	141	263
Impact of tax rate change	3	(3)
Total expense for the period	(140)	(198)

Since 1 April 2017, the statutory rate of UK corporation tax has been 19%. The previously enacted Corporation Tax reduction to 17% on 1 April 2020 was cancelled in the Budget of 11 March 2020 and a resolution effecting this passed by Parliament on 17 March 2020. This new rate is used to measure the values at which assets are expected to be realised and liabilities settled.

The recognised deferred tax asset is based on the tax rate in force at 30 September 2020 of 19%.

Note 7: Cash and Cash Equivalents

	30 Sep 2020 £'000	31 Dec 2019 £'000
Bank balances	7,094	6,471
Cash and cash equivalents in the cash flow statement	7,094	6,471

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

	30 Sep 2020 £'000	31 Dec 2019 £'000
Credit quality of cash and cash equivalents	7,094	6,471
A+ rating (2019: A+ rating)		

Virgin Money Personal Financial Service Limited

Notes to the Financial Statements

Note 8: Trade and Other Receivables

	30 Sep 2020 £'000	31 Dec 2019 £'000
Trade debtors	249	320
Other debtors	10	10
Trade and other receivables	259	330

Note 9: Deferred Tax

	30 Sep 2020 £'000	31 Dec 2019 £'000
Accelerated capital allowances	22	23
Total deferred tax assets	22	23

A deferred tax asset of £22k (2019: £23k) has been recognised in accordance with IAS12 on the basis that it will reverse to reduce taxable profits in future periods.

Note 10: Trade and other payables

	30 Sep 2020 £'000	31 Dec 2019 £'000
Accruals and deferred income	12	–
Trade and other payables	12	–

Note 11: Provisions for liabilities and charges

	30 Sep 2020 £'000	31 Dec 2019 £'000
At 1 January	219	209
Charge to Statement of Comprehensive Income	401	388
Utilised	(235)	(378)
At 30 September/ 31 December	385	219

The Company is liable to repay an element of commission to its life insurance partner BGL Group, on policies cancelled within four years of the policy start date. Associated aggregator expenses incurred on sales generated via the aggregator channels may also be refunded on policy cancellations within this period.

Note 12: Amounts owed to Group Undertakings

	30 Sep 2020 £'000	31 Dec 2019 £'000
Trading amounts owed to group undertakings	–	316
Group relief payable	329	659
Amounts owed to group undertakings	329	975

Virgin Money Personal Financial Service Limited

Notes to the Financial Statements

Note 13: Issued Capital

Share Capital	30 Sep 2020		31 Dec 2019	
	Shares	£'000	Shares	£'000
Allotted, called up and fully paid ordinary shares of £1 each	3,000,100	3,000	3,000,100	3,000

Dividends

No interim dividend was declared nor paid during the period (2019: £2.0 million).

Note 14: Risk Management and Monitoring

The main risks arising from the Company's financial instruments are credit risk, market risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks which are summarised below:

Credit Risk

Credit Risk is the risk that a counterparty fails to pay the Company monies owed. The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. No receivable balances are overdue.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with the maximum exposure equal to the carrying amount of these instruments. No significant transactions occur outside of the UK and the carrying amount of financial assets represents the maximum credit exposure.

Market Risk

Market risk is the risk that the value of, or net income arising from, the Company's assets and liabilities changes as a result of changes to interest rates or following a movement in the stock market. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising return. The Company is not exposed to any significant currency risk.

The cash and cash equivalents held expose the Company to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. No sensitivity analysis has been performed on interest income as any changes in the interest rates would not have a material impact on the reported result.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's short term liquidity requirements are supported by a facility with Virgin Money Holdings (UK) plc. Overall liquidity of the Group is managed centrally. Details can be found in the Virgin Money UK PLC Annual Report and Accounts.

Fair Values

The fair values of financial assets and liabilities approximate to their carrying values and are classified as level 2 valuations as they are derived from observable inputs.

Trade and Other Receivables/Payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Virgin Money Personal Financial Service Limited

Notes to the Financial Statements

Note 15: Related Party Transactions

	30 Sep 2020 £'000	31 Dec 2019 £'000
Amounts due from related entities		
Amounts owed by other group undertakings	284	–
Amounts owed to parent undertaking	(149)	(586)
Amounts owed to other group undertakings	(180)	(389)
Transactions with related entities		
Trademark licence fees payable to other group undertakings	(30)	(62)
Recharges from other group undertakings	(524)	(1,288)
Group relief charge - other group undertakings	(139)	(41)
Group relief charge - parent undertaking	–	(149)

The Company incurs licence fees for the use of the Virgin Money trademark to Virgin Enterprises Limited, which are paid via other group undertakings. The fees are settled by Virgin Money UK PLC.

The Company acts as an agent for Virgin Money Giving Limited (also a subsidiary of Virgin Money Holdings (UK) plc), undertaking activities which facilitate the payment of online donations to UK charities. Charitable donations and the associated gift aid are held in designated accounts and paid directly to the charities. No income was received for this service.

No transactions with Directors or Key Management Personnel occurred during the period (2019: nil).

Note 16: Post Balance Sheet Events

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