

# Annual report and financial statements

**CYB Intermediaries Limited**

For the year ended 30 September 2023

Company Number: 04056283

# CYB Intermediaries Limited

## Annual report and financial statements

For the year ended 30 September 2023

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# CYB Intermediaries Limited

## Officers and professional advisers

For the year ended 30 September 2023

<b>Directors</b>	Clifford Abrahams Allegra Patrizi (appointed 8 November 2023) Hugh Chater (resigned 8 November 2023)
<b>Secretary</b>	Graeme Duncan
<b>Registered office</b>	Jubilee House Gosforth Newcastle-Upon-Tyne NE3 4PL
<b>Bankers</b>	Clydesdale Bank PLC
<b>Independent auditors</b>	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX

# CYB Intermediaries Limited

## Strategic report

The Directors of CYB Intermediaries Limited (the Company) present their Strategic report for the year ended 30 September 2023.

The Strategic report is a statutory requirement under the Companies Act 2006 (Strategic report and Directors' report) Regulations 2013 and is intended to be fair and balanced, and to provide information that enables the Directors to be satisfied that they have complied with s172 of the Companies Act 2006 (which sets out the Directors' duty to promote the success of the Company).

### Business structure

The Company is incorporated in the United Kingdom (UK) under the Companies Act 2006 and registered in England and Wales. The Company is authorised and regulated by the Financial Conduct Authority.

The Company is a wholly owned subsidiary of Clydesdale Bank PLC, and the ultimate parent and controlling entity is Virgin Money UK PLC (VMUK). VMUK and its subsidiary undertakings comprise the Virgin Money UK PLC Group (the Group).

Further detail of the Group structure is disclosed in note 1 to the financial statements.

### Principal activities

The Company distributes a range of insurance products primarily in:

- home insurance;
- life insurance; and
- travel 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.

Home insurance is arranged and administered by Royal Sun Alliance.

Life insurance products are arranged and administered in partnership with Legal and General, Family Assurance Friendly Society Limited (FAFSL) and BISL Limited (BISL).

Travel insurance is arranged and administered by Hood Group.

The Company's overall strategic objective is aligned to the Group, which aims to be a strong, customer-centric bank that proactively responds to changes in its customers' needs and builds long-standing customer relationships. The Group is committed to delivering a strong banking proposition in the UK, ensuring customers are placed at the centre of how this is achieved.

# CYB Intermediaries Limited

## Strategic report (continued)

### Financial analysis and key performance indicators

The statement of comprehensive income for the year is set out on page 13.

	2023	2022
	£'000	£'000
<b>Financial results (£'000)</b>		
Home insurance commission	4,567	4,893
Home insurance profit share	1,125	1,617
Worldpay merchant servicing income	-	6,023
Other insurance income	1,401	860
<b>Total revenue</b>	<b>7,093</b>	<b>13,393</b>
<b>Profit on ordinary activities before tax</b>	<b>7,182</b>	<b>12,165</b>
<b>Sales volumes</b>	<b>Number</b>	<b>Number</b>
Home insurance	53,448	58,670
Other insurance	390,048	188,441
<b>Total sales volumes</b>	<b>443,496</b>	<b>247,111</b>

Revenue decreased by £6.3m (47%) to £7.1m (2022: £13.4m). The main driver of the decrease is the cessation of income received from Worldpay, as well as a lower profit share from Royal Sun Alliance.

Commission income from business customers introduced to Worldpay was £Nil in the current year (2022: £6.0m) due to the contract with the Company ending on 31 July 2022. A new contract between Global Payments (GPUK LLP) and Clydesdale Bank PLC commenced on 1 August 2022.

Home insurance performance during the year reduced in comparison to the prior year generating £5.7m of revenue (2022: £6.5m). The decrease was due to a declining home insurance book, as well as lower profit share received in the year from Royal Sun Alliance.

Other insurance income has increased by £0.5m (69%) in comparison to the prior year. This is driven by higher sales of travel insurance which launched on 16 March 2022. In addition, life insurance income has increased since the novation of the contract from Virgin Money Personal Financial Services Limited (PFS), a fellow subsidiary company, on 29 September 2022.

The balance sheet for the year is set out on page 14. The total assets decreased by £7.9m (13%) as at 30 September 2023 when compared to total assets as at 30 September 2022. The decrease in total assets is driven by a dividend payment made to Clydesdale Bank PLC of £15m, reducing cash at bank.

### Future developments

A new partner has been selected for Home Insurance, with the aim of the partnership commencing in the financial year 2024. The selected partner is expected to significantly enhance digital capabilities, introduce a new digital proposition, provide funded and managed marketing expertise and expand the offering to new sales channels which will grow the new business income stream as well as the back book.

On 19 September 2023 a re-insurer change occurred for our VM family and life insurance partner. A novation of the BSL contract to FAFSL, was completed to manage new business. This has resulted in significantly improved rates and improvement in performance. The back-book is to be novated in 2 phases, initially to BGL Direct Life Limited and subsequently to OneFamily Advice Limited (OFA), once OFA has received regulatory permissions.

# CYB Intermediaries Limited

## Strategic report (continued)

### Principal risks

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

- **Credit risk:** the potential that a counterparty will be unable to pay amounts in full when due. The Company relies on the Group's credit risk policies, procedures and mitigation strategies to manage credit risk. These are regularly reviewed and updated where necessary.
- **Market risk:** includes liquidity risk and interest rate risk. The primary objective for the management and oversight of market risk is to maintain the risk profile within approved risk appetite and limits, while implementing strategies that optimise stable current and future earnings from the impact of market volatility.
- **Liquidity risk:** the risk that the Company is unable to meet its current and future financial obligations as they fall due at acceptable cost. These obligations include the payment of operating expenses and tax, and the payment of dividends.
- **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.

- **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.
- **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 are reviewed by the Group 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.
- **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.
- **Economic crime risk:** The risk that products and services will be used to facilitate financial crime, resulting in harm to customers, the Company or third parties. The Company is supported by the Group's established financial crime and fraud risk framework, with clearly defined policy statements, standards and risk appetite measures reported to the Executive Risk Committee and the Board.

The Strategic report was approved by the Board of Directors on 8 December 2023 and was signed on its behalf by:



**Clifford Abrahams**  
Director  
8 December 2023

# CYB Intermediaries Limited

## Directors' report

The Directors present their Annual report and audited financial statements for the Company for the year ended 30 September 2023.

### Corporate governance

Details of the corporate governance framework applying to the Company are set out in the Corporate governance report within the Group's Annual Report and Accounts.

### Profits and appropriations

The profit attributable to the shareholders for the year ended 30 September 2023 amounted to £6.9m (2022: £11.1m).

A final dividend in respect of the previous financial year was paid during the year of £15.0m (2022: £30.0m) as recommended by the Directors. The Directors recommend the payment of a final dividend of £9.0m in respect of this financial year.

### Future developments and financial risk management objectives and policies

Information regarding future developments and financial risk management policies of the Company, in relation to the use of financial instruments that would otherwise be required to be disclosed in the Directors' report, has been included in the Strategic report and is discussed in further detail in note 15 to the financial statements.

### Directors and Directors' interests

The current Directors are shown on page 3. Under the terms of the Articles of Association of the Company, no Directors are required to retire by rotation. There have been no appointments or resignations during the year.

#### *Directors' interests*

No Director had any interest in the shares of the Company at any time during the year.

#### *Directors' liabilities*

During the year, the Group paid a premium for a contract insuring the Directors and Officers of Virgin Money UK PLC, its subsidiaries and controlled entities against personal liabilities which may arise in the course of the performance of their duties, as well as protecting the Group itself to the extent that it is obligated to indemnify Directors and Officers for such liability.

#### *Directors' remuneration*

The Directors of the Company are remunerated as employees of Clydesdale Bank PLC, and do not receive incremental remuneration in respect of their duties as Directors of the Company. Due to the activity of the Company, the Directors believe it would be appropriate to reasonably apportion part of their remuneration as being in respect of their duties to the Company. The aggregate emoluments of the Directors of the Company were £4,400 (2022: £4,000), these costs are recharged to the Company by Clydesdale Bank PLC.

### Employees

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

### Political donations

No political donations were made throughout the year (2022: £Nil).

# CYB Intermediaries Limited

## Directors' report (continued)

### s172(1) Statement

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), this statement also provides details of how the Directors have engaged with and had regard to the interest of key stakeholders. In accordance with section 426B of the Companies Act 2006, this statement is also available at <https://www.virginmoneyukplc.com/investor-relations/>.

The Company is a subsidiary of VMUK, and as such follows many of the processes and practices of this company, which can be found in the Group's Annual Report and Accounts <https://www.virginmoneyukplc.com/investor-relations/results-and-reporting/annual-reports/>.

The Board is responsible for leading stakeholder engagement, ensuring that the Company fulfils its obligations to those impacted by the business. Any decisions made by the Board are considered for their impact on stakeholders and the impact on the Company's success in the long term. The Board has considered key stakeholders in terms of section 172.

The Company has no employee's and management of customers, government and regulators, society and environmental stakeholders is managed by the Group's Board. As a result, the matters set out in section 172(1) regarding stakeholder engagement with employees, suppliers, customers and communities is not relevant to the Company.

### Related parties

Details of related party transactions are set out in note 14 to the financial statements.

### Share capital

Information about share capital is shown in note 12 to the financial statements.

### 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.

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

### Statement of Directors' responsibilities

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

# CYB Intermediaries Limited

## Directors' report (continued)

### Statement of Directors' responsibilities (continued)

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

- select suitable accounting policies in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance;
- state whether UK adopted IASs in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

In accordance with section 485 of the Companies Act 2006, a resolution to appoint PricewaterhouseCoopers LLP, and to authorise the Directors to agree their remuneration, will be proposed at the next Group Annual General Meeting.

In accordance with the provisions of the Companies Act 2006, as amended, the Company has dispensed with the laying of financial statements before a general meeting, the holding of annual general meetings and the obligation to appoint auditors annually.

The Directors who were members of the Board at the time of signing the report are listed on page 3. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- (i) to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- (ii) each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' report was approved by the Board of Directors on 8 December 2023 and was signed on its behalf by:



**Clifford Abrahams**  
Director  
8 December 2023

# CYB Intermediaries Limited

## Independent Auditor's Report to the Members of CYB Intermediaries Limited

### Opinion

We have audited the financial statements of CYB Intermediaries Limited for the year ended 30 September 2023 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Statement of cash flows 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 UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of management's basis for use of the going concern basis of accounting through reviewing the going concern assessment and underlying forecasts.
- Assessing the appropriateness of key assumptions made by management in the Company's business plan by comparing them to historical performance and challenging the achievability of budgeted growth. In assessing the reasonableness of management's key assumptions, we considered the business environment, including the current state of the macro-economic environment, principal risks, uncertainties, and appropriate mitigating factors.
- Testing clerical accuracy of management's going concern assessment including the relevant data used in underlying forecasts.
- Assessing the appropriateness of the going concern disclosures and their compliance with UK adopted international accounting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

# CYB Intermediaries Limited

## Independent Auditor's Report to the Members of CYB Intermediaries Limited (continued)

### Other information

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

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

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year 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 8, 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.

# CYB Intermediaries Limited

## Independent Auditor's Report to the Members of CYB Intermediaries Limited (continued)

### Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, UK Tax Legislation as enforced by HM Revenue and Customs and International Accounting Standards.
- We understood how the Company is complying with those frameworks by making enquiries of management, and through discussions with those charged with governance. We also reviewed minutes of the Board and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override to be a fraud risk. We considered the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage earnings or influence the perceptions of key stakeholders.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of those charged with governance and management for their awareness of any non-compliance of laws and regulations by officers and employees, inquiring about the method of enforcing and monitoring compliance with such policies.

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  
8 December 2023

# CYB Intermediaries Limited

## Statement of comprehensive income

For the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Revenue	3	7,093	13,393
Administrative expenses		(855)	(1,493)
<b>Operating profit</b>		<b>6,238</b>	<b>11,900</b>
Finance income		944	265
<b>Profit on ordinary activities before tax</b>		<b>7,182</b>	<b>12,165</b>
Taxation	4	(276)	(1,069)
<b>Profit attributable to equity holders</b>		<b>6,906</b>	<b>11,096</b>
<b>Total comprehensive income for the year attributable to equity holders</b>		<b>6,906</b>	<b>11,096</b>

The Company has no recognised gains or losses other than those disclosed above.

All material items dealt with in arriving at the profit before tax for the above years relate to continuing activities.

The notes on pages 17 to 25 form an integral part of these financial statements.

# CYB Intermediaries Limited

## Balance sheet

As at 30 September 2023

	Note	2023 £'000	2022 £'000
<b>Assets</b>			
Cash at bank	5	19,855	28,775
Trade and other receivables	6	184	127
Commission renewal	7	21	48
Due from related entities	14	85	670
Current tax asset		1,563	-
Deferred tax asset		1	1
Goodwill	8	33,228	33,228
<b>Total assets</b>		<b>54,937</b>	<b>62,849</b>
<b>Liabilities</b>			
Trade and other payables	9	262	355
Provisions for liabilities and charges	10	371	239
Due to related entities	14	1,580	-
Current taxes		-	1,437
<b>Total liabilities</b>		<b>2,213</b>	<b>2,031</b>
<b>Equity</b>			
Capital contribution		33,228	33,228
Retained earnings		19,496	27,590
<b>Total shareholders' equity</b>		<b>52,724</b>	<b>60,818</b>
<b>Total liabilities and equity</b>		<b>54,937</b>	<b>62,849</b>

The notes on pages 17 to 25 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 8 December 2023 and were signed on its behalf by:



**Clifford Abrahams**

Director

8 December 2023

Company number: 04056283

# CYB Intermediaries Limited

## Statement of changes in equity

For the year ended 30 September 2023

	Capital contribution	Retained earnings	Total
	£'000	£'000	£'000
As at 1 October 2021	33,228	46,494	79,722
Total income for the year	-	11,096	11,096
Dividend	-	(30,000)	(30,000)
	<hr/>	<hr/>	<hr/>
As at 30 September 2022	33,228	27,590	60,818
Total income for the year	-	6,906	6,906
Dividend	-	(15,000)	(15,000)
	<hr/>	<hr/>	<hr/>
<b>As at 30 September 2023</b>	<b>33,228</b>	<b>19,496</b>	<b>52,724</b>

The Company has no recognised gains or losses other than those disclosed above.

The notes on pages 17 to 25 form an integral part of these financial statements.

# CYB Intermediaries Limited

## Statement of cash flows

For the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
<b>Operating activities</b>			
Profit on ordinary activities before tax		7,182	12,165
<i>Adjustment for:</i>			
Non-cash or non-operating items included in profit before tax			
Unwind of commission renewal	7	27	34
Changes in operating assets	11	(57)	(95)
Changes in operating liabilities	11	39	315
Tax paid		(1,458)	(1,290)
Group relief paid		(238)	-
<b>Net cash provided by operating activities</b>		<b>5,495</b>	<b>11,129</b>
<b>Cash flows from financing activities</b>			
Net decrease/(increase) in amounts due from related entities	14	585	(670)
Net decrease in amounts due to related entities	14	-	(76)
Dividends paid	12	(15,000)	(30,000)
<b>Net decrease in cash used in financing activities</b>		<b>(14,415)</b>	<b>(30,746)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(8,920)</b>	<b>(19,617)</b>
Cash and cash equivalents at the beginning of the year		28,775	48,392
<b>Cash and cash equivalents at the end of the year</b>	5	<b>19,855</b>	<b>28,775</b>

The notes on pages 17 to 25 form an integral part of these financial statements.

# CYB Intermediaries Limited

## Notes to the financial statements

### 1. Basis of preparation

#### Reporting entity

The Company is incorporated in the UK and registered in England and Wales. The Company is a wholly owned subsidiary of Clydesdale Bank PLC a company incorporated in the UK and registered in Scotland. The ultimate parent undertaking and controlling party is Virgin Money UK PLC, a company incorporated in the UK and registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by Clydesdale Bank PLC. Virgin Money UK PLC and its subsidiary undertakings comprise the largest group in which the results of the Company are consolidated.

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

#### Statement of compliance

The financial statements, which should be read in conjunction with the Strategic report and the Directors' report, have been prepared in accordance with UK adopted International Accounting Standards (IASs).

#### Basis of measurement

The financial information has been prepared under the historical cost convention, as modified by the application of fair value measurements. A summary of the key accounting policies is set out in note 2.

#### Climate change

The potential impact of climate-related risks on the Company's financial position and performance has been considered in preparing the financial statements.

This involved undertaking an assessment at a Group level over the assets (both financial and non-financial) and evaluating whether the observable effects of physical and transitional risk of climate change would have a material impact on the financial position and performance in the current year. It is widely understood and appreciated that the effects of climate change will not be significant in the short term and that the inherent risks and uncertainties in quantifying the effect of climate change in the financial statements are considerable and more likely to impact in the longer term.

#### 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 4-6. In addition, note 15 to the financial statements includes the Company's risk and capital management policies and objectives.

In assessing the Company's going concern position as at 30 September 2023, the Directors have considered a number of factors, including the current balance sheet position and the Company's ongoing income and expenditure, taking account of possible changes in trading performance. As a consequence, 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. Accordingly, the Directors adopt the going concern basis in preparing the Annual report and financial statements.

# CYB Intermediaries Limited

## Notes to the financial statements (continued)

### 2. Accounting policies

#### Accounting standards, amendments and interpretations

There were no mandatory significant International Accounting Standards Board (IASB) pronouncements adopted by the Company in the current financial year. The IASB has also issued a number of minor amendments to IASs that are not mandatory for 30 September 2023 reporting periods and have not been early adopted by the Company. These amendments are not expected to have a material impact for the Company and have therefore not been listed.

During the year, the Company early adopted Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' which was issued by the IASB in February 2021 (applicable for accounting periods beginning on or after 1 January 2023 with early adoption permitted) and endorsed for use in the UK by the UKEB in November 2022.

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies. As part of this, the IASB amended IFRS Practice Statement 2 'Making Materiality Judgements' by adding guidance to help determine when accounting policy information is material and, therefore, needs to be disclosed.

The Company has assessed the requirements of the amendments against those accounting policies included within the 2022 financial statements.

Consequently, the following material accounting policies have been applied in preparing these financial statements.

#### Revenue recognition

##### *Home insurance commission income*

The Company receives commissions on the basis of either new or renewed home insurance policies. Commission is accounted for as the performance obligation is satisfied which is on the placement of the policies. Commission recognised in respect of renewed policies is based on an estimate of historic rates of renewal, with the amount recognised constrained based on qualitative factors such as the term of contractual arrangements with insurers. This constraint limits the value of renewal commission recognised on initial placement.

##### *Other insurance commission income*

This represents commissions' receivable from partners from the sale of travel 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.

##### *Interest receivable*

Interest received is recognised on an accruals basis.

##### *Profit share*

The Company receives profit share from third party insurance providers with the payment being accounted for on a receipts basis.

# CYB Intermediaries Limited

## Notes to the financial statements (continued)

### 2. Accounting policies (continued)

#### Financial instruments

##### *Recognition and derecognition*

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual cash flows from the asset expire or it transfers the right to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Financial liabilities are derecognised when the Company has discharged its obligation to the contract, or the contract is cancelled or expires.

##### *Classification and measurement*

The Company measures a financial asset or liability on initial recognition at its fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability (with the exception of financial assets or liabilities at fair value through profit or loss, where transaction costs are recognised directly in the income statement as they are incurred).

##### *Financial assets*

Subsequent accounting for a financial asset is determined by the classification of the asset depending on the underlying business model and contractual cash flow characteristics. This results in classification within one of the following categories i) amortised cost; ii) fair value through other comprehensive income; or iii) fair value through profit or loss. The Company does not hold any financial assets classified at fair value. Amortised cost financial assets are assessed for expected credit losses (ECLs) and these are recognised and disclosed where material.

A financial asset is measured at amortised cost when (i) the asset is held within a business model whose objective is achieved by collecting contractual cash flows; and (ii) the contractual terms give rise to cash flows on specified dates which are solely payments of principal and interest on the principal amount outstanding. The amortised cost classification applies to the Company's cash at bank, trade and other receivables, commission renewals and related party balances.

##### *Financial liabilities*

All financial liabilities are measured at amortised cost.

##### *Offsetting*

This can only occur, and the net amount presented on the balance sheet when the Company currently has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### **Commission renewals**

Commission renewals are contract assets created by the recognition of renewal commissions at the date when the performance obligation is satisfied which is prior to the Company receiving payment. Renewal commissions become receivable annually on the anniversary of the policy inception. Commission renewals are subject to the ECL criteria of IFRS 9.

##### **Critical accounting estimates and judgements**

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

# CYB Intermediaries Limited

## Notes to the financial statements (continued)

### 3. Revenue

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Commission	5,968	11,776
Profit share	1,125	1,617
	<u>7,093</u>	<u>13,393</u>

### 4. Taxation

	<b>2023</b>	2022
	<b>£'000</b>	£'000
<b>Current tax</b>		
UK corporation tax		
Current year	1,580	2,311
Adjustments in respect of prior years	(1,304)	(1,242)
	<u>276</u>	<u>1,069</u>
<b>Tax expense for the year</b>		

The tax assessed for the year differs from that arising from applying the standard rate of corporation tax in the UK (22%) (2022: 19%). 22% is the average standard rate for the full financial year, comprising 19% to 1 April 2023 then 25% to 30 September 2023. A reconciliation from the expense implied by the standard rate to the actual tax expense is as follows:

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Profit on ordinary activities before tax	7,182	12,165
Tax expense based on the standard rate of corporation tax in the UK of 22% (2022:19%)	1,580	2,311
<i>Effects of:</i>		
Adjustments in respect of prior years	(1,304)	(1,242)
	<u>276</u>	<u>1,069</u>
<b>Tax expense for the year</b>		

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. On 17 October 2022, the Chancellor of the Exchequer confirmed that, in line with the previously enacted legislation, the UK corporation tax rate will increase to 25% from 1 April 2023. This will increase the Company's future current tax charge accordingly.

# CYB Intermediaries Limited

## Notes to the financial statements (continued)

### 5. Cash and cash equivalents

	<b>2023</b> <b>£'000</b>	2022 £'000
Cash at bank	<u>19,855</u>	<u>28,775</u>

### 6. Trade and other receivables

	<b>2023</b> <b>£'000</b>	2022 £'000
Trade debtors	116	59
Prepayments and accrued income	68	68
	<u>184</u>	<u>127</u>

### 7. Commission renewal

	<b>2023</b> <b>£'000</b>	2022 £'000
Commission renewal	<u>21</u>	<u>48</u>

Commission renewals are subject to the ECL requirements of IFRS 9. No ECLs have been provided in these financial statements on the grounds of materiality.

Commission recognised in respect of renewed policies is based on an estimate of historic rates of renewal, with the amount recognised constrained based on qualitative factors such as the term of contractual arrangements with insurers. This constraint limits the value of renewal commission recognised on initial placement.

The most significant input impacting the carrying value of the commission renewal asset is the retention rate. The Company currently assumes a retention rate of 87%. If this rate was 10% higher the value would increase by £5k, if it was 10% lower the value would also decrease by £5k.

# CYB Intermediaries Limited

## Notes to the financial statements (continued)

### 8. Goodwill

	2023 £'000	2022 £'000
Balance as at 1 October 2022 and 30 September 2023	<u>33,228</u>	<u>33,228</u>

There were no acquisitions in 2023 (2022: None).

Goodwill has arisen through business combinations in previous periods. The recoverable amount has been derived from a value in use calculation using discounted cash flow techniques, based on future sales volumes that management believe are consistent with the revised levels of commission sharing arrangements and expense levels.

Goodwill is subject to annual testing for impairment. There was no impairment identified for the year ended 30 September 2023 (2022: £Nil).

Key assumptions used in impairment testing:

Growth in cash flows from operations: This is based on detailed business plans and product volume growth projections and includes estimates of future expenses to be incurred in the ordinary course of business. The terminal growth rate used was 2% based on future forecast information (2022: 2%).

Discount rates: The impairment model is based on pre-tax cash flows and utilises a pre-tax discount rate of 16.7% (2022: 16.0%). The discount rate is based on the Company's estimated cost of capital.

An increase of 10 basis points in the pre-tax discount rate or a 10 basis point decrease in the projected terminal growth rate, if adjusted independently of all other variables, would reduce the recoverable amount by £534k and £168k respectively. Under both scenarios the recoverable amount would still be in excess of the carrying value resulting in no impairment. Conversely, a decrease of 10 basis points in the pre-tax discount rate or a 10 basis point increase in the projected terminal growth rate would increase the recoverable amount by £542k and £166k respectively.

The valuation is based upon forecasts up to September 2028.

### 9. Trade and other payables

	2023 £'000	2022 £'000
Accruals and deferred income	<u>262</u>	<u>355</u>

### 10. Provisions for liabilities and charges

	2023 £'000	2022 £'000
At 1 October	239	-
Transfer from related party	-	238
Utilised	(89)	-
Charge to the statement of comprehensive income	<u>221</u>	<u>1</u>
At 30 September	<u>371</u>	<u>239</u>

The Company is liable to repay an element of commission to its life insurance partner BISL Limited 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.

# CYB Intermediaries Limited

## Notes to the financial statements (continued)

### 11. Notes to the statement of cash flows

	2023 £'000	2022 £'000
Changes in operating assets		
Net increase in:		
Trade and other receivables	<u>(57)</u>	<u>(95)</u>
	<u>(57)</u>	<u>(95)</u>
Changes in operating liabilities		
Net (decrease)/increase in:		
Trade and other payables	(93)	76
Provisions for liabilities and charges	<u>132</u>	<u>239</u>
	<u>39</u>	<u>315</u>

### 12. Issued capital

	2023		2022	
	Number of shares	£'000	Number of shares	£'000
<b>Share capital</b>				
Allotted, called up and fully paid ordinary shares of £1 each	<u>1</u>	-	<u>1</u>	-

### Dividends paid

	2023 £'000	2022 £'000
Dividends paid	<u>15,000</u>	<u>30,000</u>

The Board approved a final dividend payment of £15.0m in December 2022 and this was paid on 1 February 2023. The Directors recommend the payment of a final dividend of £9.0m in respect of this financial year (2022: £15.0m).

### 13. Capital contribution

The capital contribution reserve represents dividends waived by the Company's immediate parent undertaking.

# CYB Intermediaries Limited

## Notes to the financial statements (continued)

### 14. Related party transactions

	2023 £'000	2022 £'000
<b>Amounts due from/(to) related entities</b>		
<b><i>Trade and other receivables</i></b>		
Controlled entities of the ultimate parent	85	670
<b><i>Cash and short term deposits</i></b>		
Controlled entities of the ultimate parent	19,855	28,775
Total amounts due from related entities	<u>19,940</u>	<u>29,445</u>
<b>Group relief payable</b>		
Controlled entities of the ultimate parent	<u>(1,580)</u>	<u>-</u>
<b>Other transactions with related entities - administration expenses</b>		
<b><i>Controlled entities of the ultimate parent</i></b>		
Intercompany finance income	944	265
Intercompany recharges	(219)	(883)
Direct income recharged	-	6,023
Direct expenses recharged	(738)	(409)
	<u>(13)</u>	<u>4,996</u>

During the year there have been transactions between the Company, its ultimate parent and controlled entities of the ultimate parent.

The Company receives a range of services from the immediate parent and related parties, including various administrative services.

#### **Audit fees**

Included within administrative expenses are audit fees recharged through Clydesdale Bank PLC, of £26,880 (2022: £25,680).

#### **Transactions with directors, key management or their close family members**

There were no transactions with directors, key management or their close family members during the year and no amounts outstanding at 30 September 2023 (2022: £Nil) under transactions, arrangements and agreements with the Company from Directors, key management and their close family members.

#### **Directors' emoluments**

The Directors are employed as executives of other Group companies and do not receive incremental remuneration in respect of their duties as Directors of the Company. The Directors believe it would be appropriate to apportion £4,400 (2022: £4,000) of their remuneration as being in respect of their duties to the Company.

# CYB Intermediaries Limited

## Notes to the financial statements (continued)

### 15. Management of risk and capital

The main risks arising from the Company's financial instruments are credit risk, market risk and liquidity risk. Responsibility for the control of overall risk lies with the Directors, operating within a management framework that aligns to that of its immediate parent and of its ultimate parent entity VMUK. The more pertinent risks are summarised below.

#### *Credit risk*

Credit risk is the potential that a counterparty will be unable to pay amounts in full when due. The Company relies on the Group's credit risk policies, procedures and mitigation strategies to manage credit risk. These are regularly reviewed and updated where necessary.

No significant transactions occur outside of the UK and the carrying value of financial assets as shown on the balance sheet on page 14 represents the Company's maximum exposure to credit risk. The Company has no undrawn exposures or commitments and has no material credit concentration risk exposure.

The Company's financial assets held at amortised cost are assessed regularly for recoverability, and an expected credit loss allowance calculated and provided for where material.

#### *Market risk*

Market risk for the Company includes liquidity risk and interest rate risk. The primary objective for the management and oversight of market risk is to maintain the risk profile within approved risk appetite and limits, while implementing strategies that optimise stable current and future earnings from the impact of market volatility.

Policies relating to market risks are approved by the Group's Board. The consistent application of suitable policies across the Group is the responsibility of the Group's Board with the support of executive management governance committees.

#### *Liquidity risk*

Liquidity risk is the risk that the Company is unable to meet its current and future financial obligations as they fall due, at acceptable cost. These obligations include the payment of operating expenses and tax, and the payment of dividends.

The Company is primarily funded by companies within the Group; with the overall liquidity within the Group managed centrally and monitored by both Treasury and Company management with additional funding provided to meet the Company's financial obligations as required.

The Directors do not believe there is a significant exposure to liquidity risk due to the related party nature of funding and liability exposures with fellow Group companies.

Further detail on the wider risks the Group is exposed to, the mitigations in place to manage those risks and how the Group's liquidity and capital are managed can be found in the Risk report within the Group's Annual Report and Accounts

### 16. Post balance sheet events

There were no events after the balance sheet date that require disclosure.