

Annual Report and Financial Statements

CYB Intermediaries Limited

For the year ended 30 September 2020

Company Number: 04056283

CYB Intermediaries Limited

Annual Report and Financial Statements *For the year ended 30 September 2020*

Contents

<i>Directors and Professional Advisors</i>	<i>1</i>
<i>Strategic Report</i>	<i>2</i>
<i>Directors' Report</i>	<i>11</i>
<i>Independent Auditor's Report to the Members of CYB Intermediaries Limited</i>	<i>14</i>
<i>Statement of Comprehensive Income</i>	<i>16</i>
<i>Balance Sheet</i>	<i>17</i>
<i>Statement of Changes in Shareholders' Equity</i>	<i>18</i>
<i>Statement of Cash Flows</i>	<i>19</i>
<i>Notes to the Financial Statements</i>	<i>20</i>

CYB Intermediaries Limited

Directors and Professional Advisors For the year ended 30 September 2020

Directors	Hugh Chater Mark Thundercliffe
Company Secretary	Graeme Duncan
Registered Office	20 Merrion Way Leeds LS2 8NZ
Bankers	Clydesdale Bank PLC
Auditor	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 2020.

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 ("FCA").

The Company is a wholly owned subsidiary of Clydesdale Bank PLC ("CB 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 is authorised as an insurance and investment intermediary, providing introductions to a range of insurance products and services to Clydesdale and Yorkshire Bank customers in the United Kingdom, and contracts with a number of third party providers of insurance products. The Company also generates commission income from business customers introduced to Worldpay under the commercial partnership agreement. The company no longer generates income from investment products upon final settlement of the deferred consideration during the year.

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.

Financial analysis

The Statement of Comprehensive Income for the year is set out on page 16. The Company made a loss before tax of £32.1m in the current year, compared to a profit before tax of £16.5m for the year ended 30 September 2019.

The loss before tax of £32.1m is driven by an impairment of £48.9m reducing the goodwill asset on the balance sheet from £82.1m to £33.2m. This has arisen due to the withdrawal of certain insurance products and the impact of market conditions on the remaining insurance business.

Revenue increased by £0.6m (4%) to 18.3m compared to £17.7m for the year ended 30 September 2019, primarily due to the Company receiving settlement of the deferred consideration to AXA of £9.6m, generating a gain of £4.7m recognised in revenue, partly offset by a reduction in commission receivable. Administrative expenses decreased by £0.2m (11%) to £1.9m.

The Company's Balance Sheet for the year is set out on page 17. The Company's total assets decreased by £35.8m (26.1%) and total liabilities decreased by £0.5m (17.4%) as at 30 September 2020 when compared to total assets and total liabilities at 30 September 2019. The decrease in total assets is driven by the impairment of the goodwill.

Key performance indicators

The Directors do not rely on key performance indicators at the individual subsidiary level. The performance of the Company is included in the Annual Report and Accounts of Virgin Money UK PLC. The business is managed within the Group and the results are consistent with the Company's status as a fully integrated and wholly owned subsidiary of the Group. For this reason, the Company's Directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the Company.

CYB Intermediaries Limited

Strategic Report (continued)

Principal risks and mitigating actions

The Group's principal risk categories include those risks that could result in events or circumstances that might threaten the Group's business model, future performance, solvency, liquidity and reputation. While the principal risk categories remain broadly similar to those outlined in the Annual Report and Accounts 2019, they have been impacted by COVID-19, as outlined below. Model risk has been elevated to a principal risk and identified as an area of focus for 2021. It was previously a risk sub-category within financial risk. Climate risk has been identified as a cross-cutting risk type, manifesting through the existing principal risk framework. Further information can be found below:

Principal risks	Key mitigating actions	COVID-19 impacts and actions
<p>Credit risk is the risk of loss of principal or interest stemming from a borrower's failure to meet contractual obligations to the Group in accordance with their agreed terms. Credit risk manifests at both a portfolio and transactional level.</p>	<ul style="list-style-type: none"> • Ongoing monitoring and approval of individual transactions, regular asset quality reviews and independent oversight of credit decisions and portfolios. • The Group applies detailed lending policies and standards which outline the approach to lending, underwriting, concentration limits and product terms. • Portfolio monitoring techniques cover such areas as product, industry, geographical concentrations and delinquency trends. • Stress test scenarios are regularly prepared with the outcomes reviewed and relevant actions taken. Outcomes will typically include impairment charges, RWAs and write-offs. 	<p>Impact:</p> <ul style="list-style-type: none"> • Although the impacts to the Group's retail and business credit portfolios are yet to fully manifest, it is clear that credit risk continues to be heightened, with levels of default, provisions and impairment all expected to increase over time, particularly once government support schemes come to an end. <p>Actions:</p> <ul style="list-style-type: none"> • The Group has participated in all regulatory and government supported schemes and has placed a priority focus on supporting its existing customers through COVID-19. Capital repayment holidays, interest free overdrafts (for retail customers) and extensions of credit, as well as other flexible supporting measures, continue to be provided and monitored. • Policies, risk appetite, credit decisioning and supporting frameworks have been rebased and reviewed and updated to reflect the changing environment and risk profiles.

CYB Intermediaries Limited

Strategic report (continued)

Principal risks and mitigating actions (continued)

Principal risks	Key mitigating actions	COVID-19 impacts and actions
<p>Financial risk includes capital risk, funding risk, liquidity risk, market risk and pension risk, all of which have the ability to impact the financial performance of the Group, if managed improperly.</p>	<ul style="list-style-type: none"> • Funding and liquidity risk is managed in accordance with Board-approved standards, including the annual ILAAP, strategic and contingency funding plans. • The Group completes an annual ICAAP which formally assesses the impact of severe, yet plausible, stress events to ensure that the appropriate level and type of capital underpins the strength of the balance sheet in both normal and stressed conditions. • The Group has a range of pension reforms available to reduce exposure to pension risk if required. • Market risks (interest rate and foreign exchange risks) are monitored and managed in line with established policies and allocation of capital. 	<p>Impacts:</p> <ul style="list-style-type: none"> • Changing trends in customers' use of deposits, particularly amongst businesses, and the impacts of loan repayment moratoria across mortgage, credit cards and unsecured loan portfolios, have affected capital, liquidity and funding forecasting and liquidity forecasting. <p>Actions:</p> <ul style="list-style-type: none"> • Additional monitoring and controls over capital, funding and liquidity risks resulting from COVID-19 have been put in place. The Group has early visibility of movements in RWAs or potential impacts to capital from higher credit losses and stands ready to take a range of management actions. • The introduction of the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) provides an alternative source of funding to wholesale markets and is included in the Group's funding plans.
<p>Model risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.</p>	<ul style="list-style-type: none"> • The Group has a model risk policy framework in place to manage and mitigate model risk, which encompasses the end-to-end model life cycle. • The model risk policy standard defines roles and responsibilities in terms of model risk management. • A suitably qualified Independent Model Validation function conducts model validations prior to model implementation, both when a model is changed and on a periodic basis. 	<p>Impacts:</p> <ul style="list-style-type: none"> • The uncertain economic environment has affected all model components including input data, default markers, outputs, model accuracy and performance. • The rapid application of COVID-19 model adjustments has increased the risk that particular implementations contain errors or unexpected outcomes. <p>Actions:</p> <ul style="list-style-type: none"> • Model Risk Oversight remain actively engaged with model owners, carrying out pre-emptive model assessments to recognise and address key model risks and help to validate COVID-19 driven adjustments or recalibrations. Further oversight is provided by the Model Governance Committee.

CYB Intermediaries Limited

Strategic report (continued)

Principal risks and mitigating actions (continued)

Principal risks	Key mitigating actions	COVID-19 impacts and actions
<p>Regulatory and compliance risk is the risk of failing to comply with relevant laws and regulatory requirements, not keeping regulators informed of relevant issues, not responding effectively to information requests, not meeting regulatory deadlines or obstructing the regulator.</p>	<ul style="list-style-type: none"> Clearly defined regulatory and compliance policy statements and standards are in place, supporting both regulatory and customer expectations. There is ongoing proactive and coordinated engagement with key regulators. Formal monitoring of compliance is managed through focussed oversight, regular reporting to the Board Risk Committee and ongoing dialogue with regulators. 	<p>Impacts:</p> <ul style="list-style-type: none"> The Group has deployed multiple new policies and processes to implement government, regulatory and central bank COVID-19 support measures. Additional regulatory and compliance risks are associated with adherence to both COVID-19 specific regulatory guidance and with existing regulation. <p>Actions:</p> <ul style="list-style-type: none"> Additional risk assessments, governance processes and assurance activities have been deployed across the Group to ensure compliance with existing regulation and COVID-19 specific regulatory guidance.
<p>Conduct risk is the risk of undertaking business in a way that is contrary to the interests of customers, resulting in inappropriate customer outcomes or detriment, regulatory censure, redress costs and/or reputational damage.</p>	<ul style="list-style-type: none"> The Group has an overarching conduct risk framework, with clearly defined policy statements and standards. There is ongoing reporting and development of conduct risk appetite measures to the Executive Risk Committee and the Board. Continual assessment of evolving conduct regulations, customer expectations, and product and proposition development. A risk-based assurance framework is in place which monitors compliance with regulation and assesses customer outcomes. 	<p>Impacts:</p> <ul style="list-style-type: none"> Decisions are being made at pace, in light of COVID-19, in order to protect and support customers and there is the potential of failing to achieve good customer outcomes in this environment and in the future as relief schemes come to an end. Furthermore, there is an increased risk of failure to recognise and appropriately manage financial difficulties or vulnerabilities. <p>Actions:</p> <ul style="list-style-type: none"> Additional monitoring and controls are in place to mitigate conduct risks arising from the execution of new policies and processes deployed in response to COVID-19.

CYB Intermediaries Limited

Strategic report (continued)

Principal risks and mitigating actions (continued)

Principal risks	Key mitigating actions	COVID-19 impacts and actions
<p>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.</p>	<ul style="list-style-type: none"> The Group has an established operational risk framework to identify, manage and mitigate operational risks. Internal and external loss events are categorised using Basel II risk categories to ensure consistent assessment, monitoring and reporting of risks and events, including themes and remediation action required to prevent reoccurrence. The Group undertakes regular, forward-looking scenario analysis to gain insight into the stresses the business could be subject to in the event of operational risk events materialising. A change management framework is in place to ensure risks from individual changes are managed effectively, in line with the Group's risk appetite, with appropriate second-line oversight. 	<p>Impacts:</p> <ul style="list-style-type: none"> Increased remote working, the implementation of new processes and pressure on customer support areas arising from changing customer needs all have the potential to increase the Group's operational risk profile, which could lead to increased errors or delays and subsequent loss. <p>Actions:</p> <ul style="list-style-type: none"> The Group has undertaken ongoing risk assessments for changes to processes and controls made in response to COVID-19, including remote working. Policy exceptions are tracked, and additional controls implemented.
<p>Technology risk is the risk of loss resulting from inadequate or failed information technology processes. Technology risk includes cybersecurity, IT resilience, information security, data privacy and payment risk.</p>	<ul style="list-style-type: none"> The Group has a data management framework governing the creation, storage, distribution, usage and retirement of data and continues to enhance its privacy framework to ensure data subject rights are managed in line with GDPR. The payment risk framework outlines key scheme rules, regulations and compliance requirements to ensure that payment risk is managed within appetite. The Board approved security strategy focuses on the management of cyber risk, exposure and manipulation of confidential data and identity and access management. Risks are managed numerous controls, aligned to the National Institute of Standards and Technology Framework. IT resilience is addressed by a programme of continuous monitoring over the currency of technology estate and disaster recovery. Furthermore, critical end-to-end business recovery and contingency plans are maintained and tested. 	<p>Impacts:</p> <ul style="list-style-type: none"> There is an increased risk of cyber-attacks, due to phishing emails which use a COVID-19 theme and breaches could have legal, regulatory or privacy implications. Reliance on the availability of digital banking and remote network access has increased as a result of COVID-19, with solutions implemented to address system constraints and safeguard our connections. <p>Actions:</p> <ul style="list-style-type: none"> Additional fraud monitoring is in place and temporary process changes are being continually risk assessed. There continues to be enhanced focus on supplier service level agreements and contingency plans. A significant amount of work has been undertaken to enable and improve home working conditions. System monitoring, incident management and escalation processes are in place with regular oversight performed.

CYB Intermediaries Limited

Strategic report (continued)

Principal risks and mitigating actions(continued)

Principal risks	Key mitigating actions	COVID-19 impacts and actions
<p>Financial crime risk is the risk that the Group's products and services will be used to facilitate financial crime against the Group, its customers or third parties. This includes money laundering, counter terrorist financing, sanctions, fraud and bribery and corruption.</p>	<ul style="list-style-type: none"> • The Group has an established and evolving financial crime framework providing transparency and structure against which to develop and maintain consistency of approach to identify, manage and mitigate financial crime risk. • The Group continues to monitor existing, new and emerging risks and threats as a result of new laws and regulations, industry trends and economic and environment factors. • The Group operates a framework of risk-based systems and controls to minimise the extent to which its products and services can be used to commit or be subject to financial crime. Regular investments are made into the maintenance of these systems and ensure compliance. • Regular oversight of financial crime controls is undertaken to ensure they remain effective and in line with Board approved risk appetite. 	<p>Impacts:</p> <ul style="list-style-type: none"> • New policies and processes implemented in response to government, regulatory and central bank relief measures introduce additional fraud and financial crime risks. Support measures have been deployed at speed and there has been an enforced relaxation of certain controls. There is a risk that criminals may take advantage of customer and organisational vulnerabilities created by COVID-19. <p>Actions:</p> <ul style="list-style-type: none"> • Additional risk assessment, governance processes and assurance has been deployed across the Group to ensure the ongoing balance between customer impacts and support and maintaining fraud loss within risk appetite.
<p>Strategic and enterprise risk is the risk of significant loss of earnings or damage arising from decisions or actions that impact the long-term interests of the Group's stakeholders or from an inability to adapt to external developments, including potential execution risk as a result of integration and transformation activity.</p>	<ul style="list-style-type: none"> • Strategic and enterprise risk is addressed through the Board approved 5-year Strategic and Financial Plan, refreshed during the year to incorporate and address the impacts of COVID-19. • The Group considers strategic and enterprise risk as part of ongoing risk reporting and the management of identified strategic risks is allocated to members of the Group's Leadership Team by the CEO. • The Group continues to develop and embed its sustainability agenda in managing environmental/climate, social and governance related risks. • Regular oversight activity with workstreams focused solely on the execution risk of delivering integration, placing customers' interest at the centre of all aspects of change. 	<p>Impacts:</p> <ul style="list-style-type: none"> • COVID-19 has increased the pace of change and unpredictability within the external environment, including in relation to economic conditions, regulation, and culture. There is a risk that the Strategic and Financial Plan does not adequately reflect these changes, or that we respond ineffectively to the cultural and societal changes it has brought about. <p>Actions:</p> <ul style="list-style-type: none"> • The Strategic and Financial Plan is being refreshed to respond to the COVID-19 impacts experienced as well as those predicted.

CYB Intermediaries Limited

Strategic report (continued)

Principal risks and mitigating actions (continued)

Principal risks	Key mitigating actions	COVID-19 impacts and actions
<p>People risk is the risk of not having sufficiently skilled and motivated colleagues, who are clear on their responsibilities and accountabilities and behave in an ethical way.</p>	<ul style="list-style-type: none">• Roles, responsibilities and performance expectations are defined in role profiles and expanded through objective setting and ongoing performance management. The Group's cultural framework has a clearly defined Purpose, with Values and Behaviours that form the foundation of the performance management framework.• The quality and continuity of the Group's leadership is reviewed and assessed through succession planning and talent management activity.	<p>Impacts:</p> <ul style="list-style-type: none">• There is an increased risk of colleague illness and absence, in addition to longer-term wellbeing risks, such as mental health impacts, which may arise from the tighter restrictions introduced to curb the spread of COVID-19.• These factors could also increase pressure and reduce skills availability in key areas. <p>Actions:</p> <ul style="list-style-type: none">• The Group is following government advice with a large proportion of colleagues working from home where possible, with social distancing and additional cleaning measures in place to support key workers based in offices and branches. Vulnerable colleagues are being given additional support from our healthcare provider.

Operational Resilience

Operational resilience underpins the Group's principal risks. It is defined as the ability of the Group to protect and sustain its most critical functions, and underlying assets, while adapting to expected or unexpected operational stress or disruption and having the capacity to recover from issues as and when they arise.

Climate risk

Climate risk is not a standalone principal risk but manifests through existing principal risk types. The Group is exposed to physical, transition and reputation risks arising from climate change.

CYB Intermediaries Limited

Strategic report (continued)

Emerging risks

The Group monitors the environment in which it operates to identify both top and emerging risks that may have an impact on its operations and strategy. The Group currently considers these to be:

Emerging risks	Description	Key mitigating actions
Geopolitical and macroeconomic environment	<p>The economic impacts of COVID-19 have yet to fully crystallise. Although the duration and depth of the downturn is uncertain, risks to credit and margin performance are expected, with significant disruption to both supply and demand already occurring. Increasing unemployment could impact customers' ability to repay their lending.</p> <p>The efficacy of monetary and fiscal policy, and the speed and ability with which the UK can return to normal operating conditions, will determine the overall economic impact for the UK and the Group.</p> <p>Uncertainty remains over the future relationship between the UK and the EU and whether trade deal negotiations can be completed ahead of the transition period end date of 31 December 2020.</p> <p>There is an increased possibility of a second Scottish Independence Referendum, driven by a greater visibility of policy differences through the COVID-19 response and ongoing Brexit negotiations.</p>	<ul style="list-style-type: none"> • The Group actively monitors its credit portfolios and undertakes robust internal stress testing to identify sectors that may come under stress as a result of an economic slowdown in the UK. • The Group continues to monitor economic and political developments, in light of the ongoing uncertainty, considering potential consequences for its customers, products and operating model, including its sources of funding.
Climate risk	<p>The Group is exposed to physical, transition and reputation risks arising from climate change. There is significant uncertainty around the time horizon over which climate risks will materialise as well as the exact way in which they will occur.</p> <p>Stakeholder expectations and regulatory attention could develop at pace, impacting the lending activities of the Group. Sudden shifts in sentiment, if not in line with the lending practices of the Group at that time, could lead to increased scrutiny and reputational damage.</p>	<ul style="list-style-type: none"> • The Group continues to consider climate change in its RMF, in line with its plan to align to regulatory expectations. Climate risks are also considered by the Board in its review and challenge of the Strategic and Financial Plan and the Group's Sustainability Strategy.
Regulatory and governmental change	<p>The suite of government support measures, introduced in reaction to the economic pressures created by COVID-19, are complex and nuanced. Any sudden or unexpected change to the rules and regulations governing the measures could create material disruption, requiring large-scale prioritisation decisions in a fast-paced environment.</p> <p>The longevity of temporary changes (e.g. cancellation of the 2020 Annual Cyclical Scenario), or the possible requirement for lasting changes, is unknown and may impact firms in the medium term.</p> <p>Beyond COVID-19, there is continued evolution of the regulatory landscape, and the requirement to respond to on-going prudential and conduct driven initiatives.</p>	<ul style="list-style-type: none"> • The Group continues to monitor emerging regulatory initiatives to identify potential impacts on its business model and ensure it is well placed to respond with effective regulatory change management. • The Group continues to work with regulators to ensure it meets all regulatory obligations, with identified implications of upcoming regulatory activity incorporated into the strategic planning cycle. • The Group has put multiple new policies in place, to help ensure COVID-19 related government, regulatory and Group customer support arrangements are deployed correctly.

CYB Intermediaries Limited

Strategic report (continued)

Emerging risks (continued)

Emerging risks	Description	Key mitigating actions
Technology and cyber risk	<p>The Group continues to operate in a highly competitive environment, with growth across a number of digital-only providers, and emerging signs of participation from large technology companies. These longer-term technological changes, coupled with the short-term operational challenges caused by COVID-19, are impacting the way in which customers access and use our products and services. This increases demand on systems and people, and our requirement to be flexible and responsive in a fast-paced, ever-changing environment.</p> <p>Emerging risks around Cloud and Big Data are increasing, and the fast-moving global cyber risk challenges, for example those driven by large nation states, continue to impact the security and protection of our customer data. The resilience of systems security, payment and overall technology solutions is a heightened focus of the regulator.</p>	<ul style="list-style-type: none">• The potential impacts from new technologies, and from the changing ways in which customers use the Group's services, are continuously risk assessed, with action pro-emptively taken to safeguard the end-to-end resilience of critical processes.• The Group continues to invest in the security and resilience of its infrastructure, in order to improve services and minimise the risk of disruption to customers.• The Group has resilient continuity frameworks in place to support activities in an open banking, digitally reliant market.

Outlook

Over the next twelve months the Group will continue to support Virgin Money UK PLC, the Group's ultimate parent, in delivering its targets and executing its strategy.

The Strategic report was approved by the Board of Directors on 15 December 2020 and was signed on its behalf by:



Hugh Chater

15 December 2020

CYB Intermediaries Limited

Directors' Report

The Directors present their Annual Report and audited Financial Statements for the Company for year ended 30 September 2020.

Corporate governance

Details of the corporate governance framework applying to the Company are set out in the Corporate Governance Report within the Virgin Money UK PLC Annual Report and Accounts.

Profits and appropriations

The loss attributable to the shareholders for the year ended 30 September 2020 amounted to £35.3m (2019: £13.3m profit). The results of the Company are analysed further in the Strategic Report.

No interim dividend was paid during the year (2019: £Nil) and the Directors do not recommend a final dividend in respect of the year ended 30 September 2020.

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 18 to the financial statements.

Directors and Directors' interests

The current Directors are shown on page 1. Under the terms of the Articles of Association of the Company, no Directors are required to retire by rotation. The following appointments and resignations took place during the year:

Appointments

Ian Smith was appointed as a Director of the Company on 20 April 2020.

Hugh Chater was appointed as a Director of the Company on 20 April 2020.

Mark Thundercliffe was appointed as a Director of the Company on 14 October 2020.

Resignations

Stuart Fleming resigned as a Director of the Company on 20 April 2020.

Nicholas Walford resigned as a Director of the Company on 20 April 2020.

Peter Dockar resigned as a Director of the Company on 20 April 2020.

Ian Smith resigned as a Director of the Company on 14 October 2020.

Directors' interests

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

Directors' liabilities

During the year, Virgin Money UK PLC 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.

CYB Intermediaries Limited

Directors' Report (continued)

Directors' remuneration

The Directors of the Company are remunerated as employees of CB 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 £6,000 (2019: £6,000), these costs are recharged to the Company by CB 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 (2019: £Nil).

s172(1) Disclosure

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 Virgin Money UK PLC (VMUK), and as such follows many of the processes and practices of this company, which can be found in the VMUK 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 as follows:

The Company has no employee's and management of customers, Government and regulators, society and environmental stakeholders is managed by the VMUK 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 16 to the financial statements.

Share capital

Information about share capital is shown in note 14 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. 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.

CYB Intermediaries Limited

Directors' Report (continued)

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.

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 International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law. 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 IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance;
- state that the Company has complied with IFRSs, 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 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 1. 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 15 December 2020 and was signed on its behalf by:



Hugh Chater

15 December 2020

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 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and the related notes 1 to 21, 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 loss for the year 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 applies 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 set out on pages 1-40, 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.

Opinions on other matters prescribed by the Companies Act 2006

CYB Intermediaries Limited

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

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 13, 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.

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
17 December 2020

CYB Intermediaries Limited

Statement of Comprehensive Income

For the year ended 30 September 2020

	Note	Year to 2020 £'000	Year to 2019 £'000
Revenue	3	18,284	17,665
Administrative expenses	4	(1,940)	(2,171)
Operating profit		16,344	15,494
Finance income	5	444	976
Goodwill impairment	7	(48,892)	-
(Loss)/ profit on ordinary activities before tax		(32,104)	16,470
Income tax (charge)	6	(3,190)	(3,148)
(Loss)/ profit attributable to the equity holders of the parent		(35,294)	13,322
Total comprehensive (loss)/ income for the year attributable to the equity holders of the parent		(35,294)	13,322

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

The notes on pages 20 to 40 form an integral part of these financial statements.

CYB Intermediaries Limited

Balance Sheet

As at 30 September 2020

	Note	2020 £'000	2019 £'000
Assets			
Cash at bank	15	63,999	43,842
Trade and other receivables	11	20	326
Commission Renewal	10	190	467
Due from related entities	16	3,779	5,185
Deferred tax asset	9	1	1
Financial asset at fair value through profit and loss	8	-	5,097
Goodwill	7	33,228	82,120
Total Assets		101,217	137,038
Liabilities			
Trade and other payables	12	278	229
Current taxes		2,227	2,803
Total Liabilities		2,505	3,032
Equity			
Capital contribution		33,228	82,120
Retained earnings		65,484	51,886
Total shareholders' equity		98,712	134,006
Total Liabilities and Equity		101,217	137,038

The notes on pages 20 to 40 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 15 December 2020 and were signed on its behalf by:



Hugh Chater

15 December 2020

Company number: 04056283

CYB Intermediaries Limited

Statement of Changes in Shareholders' Equity

For the year ended 30 September 2020

	Capital contribution	Retained earnings	Total
	£'000	£'000	£'000
As at 1 October 2018	82,120	38,564	120,684
Total income for the year	-	13,322	13,322
As at 30 September 2019	82,120	51,886	134,006
Total income for the year	-	(35,294)	(35,294)
Transfer	(48,892)	48,892	-
As at 30 September 2020	33,228	65,484	98,712

The notes on pages 20 to 40 form an integral part of these financial statements.

CYB Intermediaries Limited

Statement of Cash Flows

For the year ended 30 September 2020

	Note	Year to 2020 £'000	Year to 2019 £'000
Operating activities			
Profit on ordinary activities before tax		(32,104)	16,470
<i>Adjustment for:</i>			
Non-cash or non-operating items included in profit before tax			
Finance income	8	(214)	(700)
Impairment of Goodwill	7	48,892	-
Unwind of Commission Renewal		277	956
Changes in financial asset at fair value through profit and loss	8	5,311	1,179
Changes in operating assets	13	306	(577)
Changes in operating liabilities	13	49	(8)
Tax paid		(297)	(665)
Group relief received/(paid)		(3,469)	(2,539)
Net cash provided by operating activities		18,751	14,116
Cash flows from financing activities			
Net decrease / (increase) in amounts due from related entities	16	1,406	(4,422)
Net cash used in financing activities		1,406	(4,422)
Net increase in cash and cash equivalents		20,157	9,694
Cash and cash equivalents at the beginning of the year		43,842	34,148
Cash and cash equivalents at the end of the year	15	63,999	43,842

The notes on pages 20 to 40 form an integral part of these financial statements.

CYB Intermediaries Limited

Notes to the Financial Statements

For the year ended 30 September 2020

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 ("CB PLC") a company incorporated in the UK and registered in Scotland. The ultimate parent undertaking and controlling party is Virgin Money UK PLC ("VMUK"), 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 CB PLC. VMUK 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 have been prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006.

The financial statements of the Company for the year ended 30 September 2020 were authorised for issue by the Board of Directors on 15 December 2020.

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.

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. In addition, note 19 to the financial statements includes the Company's risk management objectives and note 20 to the financial statements includes the Company's objectives, policies and processes for managing its capital.

In assessing the Company's going concern position as at 30 September 2020, the Directors have considered a number of factors including the Company's capital structure, its liquidity position and its future financial performance.

As a result of the assessment, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Company is well placed to manage its business risks successfully in line with its business model and stated strategic aims. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

2. Accounting policies

New accounting standards and interpretations

The Company has adopted a number of International Accounting Standards Board (IASB) pronouncements in the current financial year, none of which have had a material impact on the financial statements:

- IFRS 16 'Leases' is effective for financial periods beginning on or after 1 January 2019 and replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease,' SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease.' IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will result in most leases for lessees being brought on to the balance sheet under a single lease model, removing the distinction between finance and operating leases. It requires a lessee to recognise a 'right-of-use' asset and a lease liability. Lessor accounting remains largely unchanged. The Company does not enter into lease agreements as lessee or lessor;
- IFRIC interpretation 23: 'Uncertainty over Income Tax Treatments', issued June 2017 and effective for financial years beginning on or after 1 January 2019. The new interpretation applies to any situation in which there is uncertainty as to whether an income tax treatment is acceptable under tax law and is not limited to actual ongoing disputes; and
- 'Annual Improvements to IFRS Standards 2015-2017 Cycle', issued December 2017 and effective for financial years beginning on or after 1 January 2019. The IASB has made amendments to the following standards: IFRS 3 'Business Combinations'; IFRS 11 'Joint arrangements'; IAS 12 'Income Taxes'; and IAS 32 'Borrowing Costs'

New accounting standards and interpretations not yet adopted

The IASB has issued a number of minor amendments to IFRSs that are not mandatory for 30 September 2020 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.

Currency of presentation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in pounds sterling (GBP), which is also the Company's presentation currency, rounded to the nearest thousand pounds (£'000) unless otherwise stated.

Revenue recognition

Commissions

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 on 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.

Interest received

Interest received on cash deposits is recognised on an accruals basis.

Profit share

The Company receives profit share from third party insurance providers which is composed of an advance element and a retrospective payment. The advance payment is accounted for on an accruals basis and the retrospective payment accounted for on a receipts basis.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it is related to items recognised in equity, in which case the tax is also recognised in equity.

Income tax expense or revenue is the tax payable or receivable on the current year's taxable income based on the applicable tax rate adjusted by changes in deferred tax assets and liabilities.

Current tax

Current tax is the expected tax payable on the taxable income for the year, 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

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.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses.

Cash and cash equivalents

Cash and cash equivalents include cash at bank carried at amortised cost. For the purposes of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.

Financial instruments

Recognition and derecognition

A financial asset or a financial liability is recognised on the balance sheet 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 through other comprehensive income.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

2. Accounting policies(continued)

A financial asset is measured at amortised cost when (1) the asset is held within a business model whose objective is achieved by collecting contractual cash flows; and (2) 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, insurance commission renewals, trade and other receivables and related party balances.

Financial Instruments at fair value through profit and loss

The Company's deferred consideration financial asset in 2019 did not pass the cashflow characteristics assessment and therefore was required to be classified at fair value through profit or loss (FVTPL). In 2013 the rights to deferred consideration valued at £9m were transferred from MLC Trust Management Company Limited at book value. The Deferred consideration reflected the present value of future commission that arose on the sale of a fund management business in 2009. The asset was reduced by cash receipts received during the period and a transfer representing the unwinding of the discount is credited to the income statement in each period as interest receivable. During 2020 the financial asset at fair value through profit and loss was reduced to £Nil upon receipt of final settlement of the deferred consideration.

Impairment of financial assets and contract assets

At each reporting date, the Company assesses financial assets measured at amortised cost and contract assets for impairment and calculates the resultant impairment loss allowance using an expected credit loss (ECL) methodology. Financial assets held at FVTPL are not subject to the ECL methodology.

The impairment loss allowance is calculated as either a 12-month or lifetime ECL depending on whether the financial asset has exhibited a significant increase in credit risk since origination or otherwise becomes credit-impaired as at the reporting date. A low credit risk option is available which, when exercised, allows entities to not assess whether there has been a significant increase in credit risk since initial recognition where the financial asset is deemed as being of low credit risk at the reporting date. This option has not been exercised in the Company.

Financial liabilities

All financial liabilities are measured at amortised cost.

Offsetting

A financial asset and a financial liability shall be offset and the net amount presented on the balance sheet if, and only if, the Company 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.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Where no such active market exists for the particular asset or liability, the Company uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions where possible, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. In doing so, fair value is estimated using a valuation technique that makes maximum possible use of market inputs and that places minimal possible reliance upon entity-specific inputs.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises profits or losses on the transaction date.

Trade and other receivables

Trade and other receivables are carried at the lower of their original value and recoverable amount with a provision made when there is objective evidence that the Company will not be able to recover balances in full. Accrued income represents commission income receivable on policies written or renewed within the year.

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.

Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the fair value of the purchase consideration and direct costs of making the acquisition, over the fair value of the Company's share of assets at the date of acquisition.

Goodwill is capitalised on acquisition and reviewed annually for impairment, or more frequently, when there are indications that impairment may have occurred.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Directors. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless they are remote.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Assumptions made at each balance sheet date are based on best estimates at that 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. The most significant use of judgements and estimates are as follows:

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

2. Accounting policies(continued)

Goodwill

Goodwill arises on the acquisition of a business and represents the excess of the fair value of the purchase consideration and direct costs of making the acquisition, over the fair value of the Company's share of assets at the time of acquisition.

Goodwill is capitalised and reviewed annually for impairment, or more frequently, when there are indications that impairment may have occurred. The key assumptions and sensitivities involved in these calculations are disclosed in note 7 to the financial statements.

Profit share estimate

The Company receives profit from third party insurance providers which is composed of an advance payment and a retrospective payment. The Company recognises revenue based upon expected amounts due which are communicated by the insurance provider.

3. Revenue

	2020 £'000	2019 £'000
Commission	12,039	16,095
Profit Share	1,572	1,570
Gain on settlement of deferred consideration	4,673	-
	<u>18,284</u>	<u>17,665</u>

4. Administrative expenses

	2020 £'000	2019 £'000
Administrative expenses	1,940	2,171
	<u>1,940</u>	<u>2,171</u>

Included within administrative expenses are audit fees, recharged through CB plc, of £6,000 (2019:£5,660).

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

5. Finance income

	2020 £'000	2019 £'000
Interest income - financial asset at fair value through profit and loss	214	700
Other finance income	230	276
	<u>444</u>	<u>976</u>

6. Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax		
Current year	3190	3,311
	<u>3190</u>	<u>3,311</u>
Deferred tax (note 9)		
Current year	-	(163)
	<u>-</u>	<u>(163)</u>
Tax charge reported in Income Statement	<u>3190</u>	<u>3,148</u>
Current tax expense/(credit) in equity	-	158
Deferred tax expense in equity (note 9)	-	21
	<u>-</u>	<u>179</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit / (Loss) on ordinary activities before tax	(32,104)	16,470
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(6,099)	3,129
Impairment of goodwill	9,289	-
Rate Change	-	19
	<u>3,190</u>	<u>3,148</u>

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

7. Goodwill

	2020 £'000	2019 £'000
Balance as at 1 October 2019	82,120	82,120
Impairment	(48,892)	-
Balance at 30 September 2020	<u>33,228</u>	<u>82,120</u>

There were no acquisitions in 2020 (2019: £Nil).

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 as described in note 2. There was a partial impairment identified for the year ended 30 September 2020 of £48.9m (2019: £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 has been reduced to nil based on future forecast information (2019: 2.5%).

Discount rates: The impairment model is based on pre-tax cash flows and utilises a pre-tax discount rate of 12.1% (2019 10.0%). 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 £0.2m and £0.1m respectively. 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 £0.3m and £0.1m respectively.

The valuation is based upon forecasts up to September 2025.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

8. Financial asset at fair value through profit and loss

	2020 £'000	2019 £'000
Opening balance 1 October	5,097	5,576
Commission	(434)	(1,335)
Interest income	214	700
Uplift in valuation	-	156
Proceeds	(9,550)	-
Fair value gains/(losses) recognised in profit or loss - realised	4,673	-
	<hr/>	<hr/>
As at 30 September	-	5,097
	<hr/> <hr/>	<hr/> <hr/>
This is split as:		
Current assets	-	585
Non-current assets	-	4,512
	<hr/>	<hr/>
As at 30 September	-	5,097
	<hr/> <hr/>	<hr/> <hr/>

Deferred consideration was classified as a financial asset at fair value through profit and loss (FVTPL). In 2013, the rights to deferred consideration of £9m were transferred from MLC Trust Management Company Limited at book value. The deferred consideration represented a receivable from AXA Group in the form of future commission connected to the sale of the fund management business from MLC Trust Management Company Limited to AXA Group which completed in 2009. During the year 0.4m (2019: £1.3m) of commission was received of which £0.2m (2019: £0.7m) was credited to Statement of Comprehensive Income reflecting the interest income attributable to the nominal value of the commission received in the year.

The financial asset at fair value through profit and loss was reduced to £Nil on the receipt of final Settlement of AXA deferred consideration in February 2020.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

9. Deferred Tax

	2020 £'000	2019 £'000
Deferred tax asset:		
Opening balance	1	1
Tax expense recognised in Income Statement	-	-
	<u>1</u>	<u>1</u>
Closing balance	<u>1</u>	<u>1</u>
 The deferred tax asset is attributable to the following items:		
Capital allowances in excess of depreciation	1	1
	<u>1</u>	<u>1</u>
 Deferred tax liability:		
Opening balance	-	142
IFRS 9 reclassification to FVTPL	-	(142)
Deferred tax on adoption of IFRS15 recognised in equity	-	163
Deferred tax unwind in respect of IFRS15 in income statement	-	(163)
	<u>-</u>	<u>-</u>
Closing balance	<u>-</u>	<u>-</u>

The statutory rate of UK corporation tax was 19% from 1 April 2017. In accordance with IAS 12, these rates are taken into account in assessing the value at which assets are expected to be realised and liabilities settled.

10. Commission Renewal

	2020 £'000	2019 £'000
Commission Renewal	<u>190</u>	<u>467</u>

Commission renewals are subject to the expected credit loss (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 on 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 86%. If this rate was 10% higher the value would increase by £22,000, if it was 10% lower the value would decrease by £22,000.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

11. Trade and other receivables

	2020 £'000	2019 £'000
Prepayments and accrued income	20	326

12. Trade and other payables

	2020 £'000	2019 £'000
Accruals and deferred income	278	229

13. Notes to the Statement of Cash Flows

	2020 £'000	2019 £'000
Changes in operating assets		
Net decrease/(increase) in:		
Other Receivables	-	(467)
Trade and other receivables	306	(110)
	<u>306</u>	<u>(577)</u>
Changes in operating liabilities		
Net increase/(decrease) in:		
Trade and other payables	49	(8)
	<u>49</u>	<u>(8)</u>

14. Equity

Share Capital

	Number	£
Authorised:		
Ordinary shares of £1 each		
At 30 September 2020 and 2019	100	100
	<u>100</u>	<u>100</u>
	Number	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each		
At 30 September 2020 and 2019	1	1
	<u>1</u>	<u>1</u>

Capital Contribution

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

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

15. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprises the following balances due within three months at inception:

	2020 £'000	2019 £'000
Cash at bank	<u>63,999</u>	<u>43,842</u>

16. Related party transactions

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 parent and related parties, including loans and various administrative services.

	2020 £'000	2019 £'000
Amounts due from related entities		
<i>Trade and other receivables</i>		
Controlled entities of the ultimate parent	3,779	5,185
<i>Cash and short term deposits</i>		
Controlled entities of the ultimate parent	63,999	43,842
Total amounts due from related entities	<u>67,778</u>	<u>49,027</u>

Other transactions with related entities - administration expenses

Controlled entities of the ultimate parent

Intercompany recharges	1,301	1,365
Intercompany finance income	(230)	(276)
Direct expenses recharged	<u>(5,081)</u>	<u>(5,889)</u>
	<u>(4,011)</u>	<u>(4,800)</u>

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 2020 (2019: £Nil) under transactions, arrangements and agreements with the Company from Directors, key management and their close family members.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

16. Related party transactions (continued)

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 £6,000 (2019: £6,000) of their remuneration as being in respect of their duties to the Company.

17. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values are based on relevant information available at the reporting date and involve judgement. The methodologies and assumptions used in the fair value estimates are described in the footnotes to the tables.

There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. The Company's financial instrument cannot be exchanged in an active trading market, and therefore the Company obtains the fair value by means of discounted cash flows and other valuation techniques that are commonly used by market participants.

Analysis of the fair value disclosures uses a hierarchy that reflects the significance of inputs used in measuring fair value. The level in the fair value hierarchy within which a fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy is as follows:

- Level 1 fair value measurements - quoted prices (unadjusted) in active markets for identical financial assets or liabilities.
- Level 2 fair value measurements - inputs other than quoted prices within Level 1 that are observable for the financial asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 fair value measurements - inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

The fair value of all other financial assets and liabilities measured at amortised cost, as reported on the Balance Sheet, are approximately equivalent to the carrying value of those balances.

Fair value measurement recognised on the Balance Sheet

The following tables provide an analysis of financial instruments that are measured at fair value, subsequent to initial recognition, using the fair value hierarchy described above:

2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000
Financial asset at fair value through profit and loss	-	-	-	-

2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair Value £'000
Financial asset at fair value through profit and loss	-	-	5,097	5,097

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

17. Fair value of financial instruments (continued)

The Company's fair value for financial instruments, which are measured subsequent to initial recognition at fair value, is based on the following methodology and assumption:

Level 3 movements analysis:

	2020 £'000	2019 £'000
Financial assets at fair value through profit or loss:		
Balance at the beginning of year	5,097	5,576
Fair value (losses)/gains recognised		
In profit or loss - unrealised	-	156
In profit or loss - realised	214	700
Settlements	<u>(5,311)</u>	<u>(1,335)</u>
Balance at the end of the year	<u>-</u>	<u>5,097</u>

The table below shows unobservable inputs to Level 3 financial instruments and provides the range of those inputs as at 30 September 2019.

	Fair value £'000	Valuation technique	Unobservable input	Low range	High range
Financial asset at fair value through profit & loss	-	Discounted cash flow	Customer attrition rate	10%	20%

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

18. Financial risk management

Strategy in using financial instruments

By their nature, the Company's principal activities are related to providing insurance brokerage services. The Company does not underwrite policies and therefore does not have any liability exposure. The company has no credit related commitments and does not enter into any derivative contracts.

The Company does not have any exposure to fair value hedging, cash flow hedging, derivatives or credit related commitments.

Credit risk

Credit risk is the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The cash is held with at least BBB+ rated banks (Standard and Poor's rating). The table below shows the Company's maximum exposure to credit risk.

	2020 £'000	2019 £'000
Maximum exposure to credit risk		
Cash at bank	63,999	43,842
Due from related entities	3,779	5,185
Trade and other receivables	20	326
Financial asset at fair value through profit and loss	-	5,097
	<u>67,798</u>	<u>54,450</u>

Market risk

The Directors consider the Company to have minimal exposure to market risk. The impact of market price volatility does not have a significant effect on the operating activities of the Company.

Interest rate risk

The financial instruments exposed to interest rate risk are cash deposits, which are repayable on demand. Interest rate risk for the Company is considered to be immaterial.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

18. Financial risk management (continued)

Maturity analysis of assets and liabilities

The following tables represent a breakdown of the Company's Balance Sheet according to the assets and liabilities contractual maturity.

2020	Call £'000	12 months or less £'000	No specified maturity £'000	Total £'000
Assets				
Cash at bank	63,999	-	-	63,999
Trade and other receivables	-	20	-	20
Commission Renewal	-	190	-	190
Due from related entities	-	-	3,779	3,779
All other assets	-	-	33,229	33,229
	<u>63,999</u>	<u>209</u>	<u>37,008</u>	<u>101,217</u>
Liabilities				
Trade and other payables	-	278	-	278
All other liabilities	-	-	2,227	2,227
	<u>-</u>	<u>278</u>	<u>2,227</u>	<u>2,505</u>
2019	Call £'000	12 months or less £'000	No specified maturity £'000	Total £'000
Assets				
Cash at bank	43,842	-	-	43,842
Trade and other receivables	-	326	-	326
Commission Renewal	-	467	-	467
Due from related entities	-	-	5,185	5,185
Financial asset at fair value through profit and loss	-	585	4,512	5,097
All other assets	-	-	82,121	82,121
	<u>43,842</u>	<u>1,378</u>	<u>91,818</u>	<u>137,038</u>
Liabilities				
Trade and other payables	-	229	-	229
All other liabilities	-	-	2,803	2,803
	<u>-</u>	<u>229</u>	<u>2,803</u>	<u>3,032</u>

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

18. Financial risk management (continued)

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 repayment of deposits on demand or their contractual maturity dates, the repayment of borrowings and loan capital as they mature, the payment of operating expenses and tax, the payment of dividends and the ability to fund new and existing loan commitments.

Cash flows payable under financial liabilities by contractual maturities

	12 months or less £'000	No specified maturity £'000	Total £'000
2020			
Trade and other payables	278	-	278
	<u>278</u>	<u>-</u>	<u>278</u>
2019			
Trade and other payables	229	-	229
	<u>229</u>	<u>-</u>	<u>229</u>

The amounts in the above table agree to the balances reported in the Company's Balance Sheet as these amounts are not interest bearing.

19. Management of risk

Risk management framework

Effective risk management is critical to realising the Group's strategy of pioneering growth, with delighted customers and colleagues, while operating with super straightforward efficiency, discipline and sustainability. The safety and soundness of the Group is aligned to its Purpose and is a fundamental requirement to enable customers and stakeholders to be "happier about money".

Risk Culture

Risk culture is focused on the Group's understanding of the risks it takes, which is key to enabling its strategy to disrupt the status quo.

Personal accountability is at the heart of the Group's risk culture. This is enabled through the risk management accountability model and formal delegation framework which support colleagues to make risk-based decisions. Colleagues are recruited with the core skills, abilities and attitude required to fulfil their role. They are provided with training and development to ensure they maintain and develop the required levels of competence. This supports colleagues in making risk-based decisions and judgements.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

19. Management of risk (continued)

The Group is customer-centric and values open and honest feedback from its customers. This feedback allows colleagues to rectify problems, learn from them and consistently create products and services that meet customer needs in alignment with Purpose. The Board and senior management are responsible for setting and overseeing the Group's risk culture through their actions, words and oversight activities, and for ensuring any identified areas of weakness are addressed.

The Board Risk Committee continually assess risk culture and Internal Audit (IA) provides an independent view of risk culture to the Board Audit Committee through a risk and control-related management awareness assessment assigned to the majority of audits.

Risk strategy

The Group has a clearly defined strategy in order to manage and mitigate risk in the daily course of its business. The strategy consists of:

- ensuring all principal and emerging risks are identified and assessed;
- ensuring risk appetite is clearly articulated and influences the Group's strategic plan;
- a clearly defined risk culture which emphasises risk management throughout all areas of the business whilst maintaining independent oversight;
- ongoing analysis of the environment in which the Group operates to proactively address potential risk issues as they arise; and
- supporting commercial decisions and people with appropriate risk processes, systems and controls.

Risk Appetite

'Risk Appetite' is defined as the level and types of risk the Group is willing to assume within the boundaries of its risk capacity, to achieve its strategic objectives. The Risk Appetite Statement (RAS) articulates the Group's risk appetite to stakeholders and provides a view on the risk-taking activities the Board is comfortable with, guiding decision-makers in their strategic and business decisions.

The Risk Appetite Framework (RAF) sets out the mandatory governance requirements for the creation, management and oversight of the RAS.

The RAS conveys the balance required between risk taking and the commercial and reputational implications of doing so, promoting good customer outcomes and protecting the Group from excessive exposure. The RAS includes qualitative and quantitative limits which inform strategies, targets, policies, procedures and other controls that collectively ensure the Group remains within the Board's approved appetite.

The Group's RAS is prepared by the Group Chief Risk Officer with consideration of the strategic objectives and business model, as well as the environment in which the Group operates. Reporting to Executive Committees and the Board includes details of performance against relevant RAS settings, breaches and trends.

Risk governance and oversight

The Group has a structured risk governance framework to support the Board of Directors' aim of achieving long-term and sustainable growth through the Group's Purpose of 'Making you Happier about Money'. This includes a number of committees with a specific risk management focus, although all committees consider risk matters in accordance with the Group's Risk Management Framework (RMF). The Group's risk governance structure strengthens risk evaluation and management, while also positioning the Group to manage the changing regulatory environment in an efficient and effective manner. Oversight of the risk governance structure is facilitated by the Board.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

19. Management of risk (continued)

Three lines of defence

Effective operation of a three lines of defence model is integral to the Group's approach to risk management and is based on the overriding principle that risk capability must be embedded within the first line of defence teams to be effective. This principle embodies the following concepts:

- risk management responsibilities are clearly understood and adhered to by all colleagues when carrying out their day-to-day activities;
- decisions are made with proactive consideration of the potential risk and impact on customers;
- business areas must self-identify and report management issues, which are captured centrally, showing good levels of risk awareness, management remediation, and promoting a strong risk culture; and
- regular control assessments are undertaken to confirm the effectiveness of the control environment, based on control monitoring and testing, in relation to both the current and emerging risk profile.

Control is exercised through a clearly defined delegation of authority, with communication and escalation channels throughout the Group.

Risk management framework

The Group identifies and manages risk in line with the RMF, which is the totality of systems, structures, policies, processes and people that identify, measure, evaluate, control, mitigate, monitor and report all internal and external sources of material risk. The RMF aligns to Our Purpose by establishing an overarching framework for the identification, measurement, management and reporting of risk in a clear and transparent way.

Risk policies and procedures

The policy framework is a key component of the Group's RMF, providing structure and governance for the consistent and effective management of policies. In developing the policy framework, the Group sets the tone that demonstrates the risk culture expected across the organisation. This aligns with the behavioural expectations for all colleagues which form a core part of our performance management approach. Policy statements and supporting policy standards define the minimum control requirements which must be observed across the Group to manage material sources of risk within risk appetite.

Risk management and internal controls

The Board actively monitors the Group's risk management and internal control systems. A review of the effectiveness of those systems has been performed incorporating all material controls, including financial, operational and compliance controls.

Stress testing

Stress testing is an important and widely recognised risk management tool, used to assess the vulnerability of financial institutions and identify risks under adverse economic scenarios. The Group uses stress testing in strategic, capital and liquidity planning, and to inform risk appetite, risk mitigation and contingency planning.

The Group undertakes stress testing following the Basel Committee principles which utilise, where appropriate, scenarios provided by the Bank of England (BoE).

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

19. Management of risk (continued)

The Board and senior management are actively involved in the stress testing process, reviewing, challenging and approving all aspects of stress testing, from the consideration of scenarios to be tested, to the outcomes and mitigating actions. The involvement of the Board and senior management is considered essential for the effective operation of stress testing and the manner in which the results inform strategic planning and risk appetite. Reverse stress testing is also undertaken to assess the types of risks that would pose fundamental threats to the viability of the Group's business model.

Recognising its enlarged size following the integration of Virgin Money Holdings (UK) PLC, the Group will take part in its inaugural BoE's concurrent stress test from 2021. The Bank of England's 2020 Annual Cyclical Scenario (ACS) was cancelled as a result of COVID-19, to help lenders meet the needs of UK households and businesses via the continuing provision of credit.

Principal and emerging risk categories

In line with the UK Corporate Governance Code (the Code) requirements, the Board has performed a robust assessment of the Group's principal and emerging risks, including those that could result in events or circumstances that might threaten the Group's business model, future performance, solvency or liquidity and reputation. In deciding on the classification of principal risks, the Board considered the potential impact and probability of the related events and circumstances and the timescale over which they may occur. In assessing emerging risks, the Board considered what procedures are in place to identify emerging risks and how they are being managed or mitigated.

For further detail on the Group RMF please refer to the Risk Report within the Virgin Money UK PLC Annual Financial Report.

Credit risk

Credit risk is the risk that a borrower or counterparty fails to pay the interest or capital due on a loan or other financial instrument.

Credit risk manifests itself in the financial instruments and / or products that the Group offers, and those in which the Group invests (including, among others, loans, guarantees, credit related commitments, letters of credit, acceptances, inter-bank transactions, foreign exchange transactions, swaps and bonds). Credit risk can be found both on and off balance sheet.

The Group controls its levels of credit risk by placing limits on the amount of risk it is willing to take in order to achieve its strategic objectives. This involves a defined set of qualitative and quantitative limits in relation to its credit risk concentrations to one borrower, or group of borrowers, and to geographical, product and industry segments. The management of credit risk within the Group is achieved through ongoing approval and monitoring of individual transactions, regular asset quality reviews and the independent oversight of credit decisions and portfolios.

The COVID-19 pandemic continues to pose significant risks to the Group's credit portfolios however the Group remains focussed on supporting customers and colleagues through the exceptional challenges that have crystallised over the past few months. For certain types of lending the level of appetite has been extended to enable additional support to be provided to customers, while in other areas the Group has considered it prudent to temper appetite, in response to the heightened concern for the economy and the potential impact on customer indebtedness. The FY21 RAS will continue to consider the impact of COVID-19 for the Group, remaining agile, focussed and responsive, to ensure we are addressing new and developing risks in a safe and efficient manner.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems or from external events. It is a core component of the RMF and is embedded in day to day business activities. Responsibilities are set out in a structured operational risk framework that seeks to identify, assess, mitigate and report the operational risks and events that could impact the achievement of business objectives or impact core business processes.

CYB Intermediaries Limited

Notes to the Financial Statements (continued)

19. Management of risk (continued)

Business units are responsible for the day to day management of operational risk, with oversight from the risk management function and independent assurance activities undertaken by internal audit.

The requirements of the operational risk management framework are defined in an overarching operational risk policy and related minimum standards at a Group level, and reflect the Group's operational risk appetite.

The Group has identified, assessed and is currently monitoring all key operational risks, including undertaking an assessment of control effectiveness, monitoring trends in key risk indicators and escalating events, in accordance with policy requirements.

20. Capital management overview

Capital is held by the Company to cover inherent risks in a normal and stressed operating environment and to support its business strategy. In assessing the adequacy of its capital resources, the Company considers its risk appetite, the material risks to which it is exposed and the appropriate strategies required to manage those risks. The Group is committed to maintaining a strong capital base.

The Company and the Group is currently governed by Virgin money UK PLC Group's Capital Management Policy. The objectives of the policy are to efficiently manage the capital base to optimise shareholder returns whilst maintaining robust capital adequacy, meeting Regulators' requirements and managing the ratings agencies assessment of the Group.

The Capital Plan is approved by the Board on an annual basis. The Asset and Liability Committee ("ALCO") monitors the capital plan and forecast positions on a monthly basis. This ensures that in the event that further capital is deemed necessary to meet regulatory requirements or support future strategy, the issue is proactively escalated to Senior Management and the UK Boards to determine the most appropriate strategy to achieve the desired capital outcome.

The Company considers its capital to be equivalent to Tier 1 capital which is shown below and consists of capital contributions and retained earnings.

Capital Management	2020 £'000	2019 £'000
Tier 1 Capital		
Capital contribution	33,228	82,120
Retained earnings	65,484	51,886
	<hr/>	<hr/>
	98,712	134,006
	<hr/> <hr/>	<hr/> <hr/>

The Company has fully complied with the FCA's capital requirements throughout the year.

21. Contingent Liability

A claim was received during the financial year against the Company in respect of overpaid commissions. There is uncertainty surrounding the validity of the claim and the potential redress due should the claim be successful. Consequently, no provision has been made in these financial statements.

22. Events since the balance sheet date

There have 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.