

**Company Registered No: 07033644**

**NATWEST COVERED BONDS (HOLDINGS) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2020**



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**OFFICERS AND PROFESSIONAL ADVISERS**

<b>DIRECTORS:</b>	Helena Whitaker Intertrust Directors 1 Limited Intertrust Directors 2 Limited
<b>COMPANY SECRETARY:</b>	Intertrust Corporate Services Limited
<b>REGISTERED OFFICE:</b>	1 Bartholomew Lane London United Kingdom EC2N 2AX
<b>INDEPENDENT AUDITOR:</b>	Ernst & Young LLP 25 Churchill Place Canary wharf London United Kingdom E14 5EY

**Registered in England and Wales**

**DIRECTORS' REPORT**

The directors of NatWest Covered Bonds (Holdings) Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2020.

The Company qualifies as a small company in accordance with sections 381-382 of the Companies Act 2006 (the "Act"). The Directors' report has therefore been prepared taking into consideration the entitlement to small companies' exemptions provided in sections 414B (as incorporated into the Act by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013).

**CHANGE OF REGISTERED OFFICE**

On 16 March 2020, the Registered Office of the Company changed from 35 Great St. Helen's, London, EC3A 6AP to 1 Bartholomew Lane, London, EC2N 2AX.

**ACTIVITIES AND BUSINESS REVIEW****Principal activity**

The principal activity of the Company is that of a holding company of a special purpose company, holding 80% of the issued share capital of NatWest Covered Bonds (LM) Limited.

The Company is a subsidiary of NatWest Group plc (formerly known as The Royal Bank of Scotland Group plc (RBSG plc)) which provides the Company with direction and access to all central resources it needs and determines policies in all key areas such as finance, risk, human resources or environment. For this reason, the directors believe that performance indicators specific to the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The annual reports of NatWest Group plc review these matters on a group basis. Copies may be requested from Legal, Governance and Regulatory Affairs, NatWest Group plc Gogarburn, Edinburgh, PO Box 1000 EH12 1HQ, the Registrar of Companies or at [www.natwestgroup.com](http://www.natwestgroup.com).

NatWest Group comprises NatWest Group plc, its subsidiary and associated undertakings.

**Business review**

The directors are satisfied with the Company's performance during the year. The directors do not anticipate any material change in either the type or level of activities of the Company.

**Financial performance**

The Company did not trade during the financial year nor the preceding financial year; it received no income and incurred no expenditure. Consequently, during these years the Company made neither a profit nor a loss and had no comprehensive income.

At the end of the year, the Statement of Financial Position showed total assets of £80 (2019: £80), which includes an investment in group undertaking of £80 (2019: £80). Total equity was £1 (2019: £1).

The directors do not recommend the payment of any dividends (2019: £nil).

**Principal risks and uncertainties**

The Company's financial risk management objectives and policies regarding the use of financial instruments are set out in note 11 to the financial statements.

**Directors' Duties****Section 172(1) statement**

Section 172(1) of the Companies Act 2006 (Section 172) is one of the statutory duties that directors have and requires them to promote the success of the company for the benefit of shareholders as a whole while taking into account the interests of other stakeholders and, in so doing, have regard to the matters set out in Section 172(1)(a) to (f). These include the long term consequences of decisions, colleague interests, the need to foster the company's business relationships with suppliers, customers and others; the impact on community and the environment and the company's reputation.

**DIRECTORS' REPORT****Section 172(1) statement (continued)**

Directors are supported in the discharge of their duties by the Company Secretary. All directors receive guidance on their statutory duties, including Section 172(1), and were briefed on the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2018 in advance of the effective date. NatWest Group has introduced a new approach to board and committee papers with greater focus on ensuring relevant stakeholder interests are clearly articulated and guidance on documenting decisions has been refreshed to ensure these are recorded in a consistent manner across NatWest Group.

**Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements on a going concern basis, see note 1 on page 9.

**DIRECTORS AND SECRETARY**

The present directors and secretary who have served throughout the year and subsequently are listed on page 1.

**DIRECTORS' RESPONSIBILITIES STATEMENT**

This statement should be read in conjunction with the responsibilities of the auditor set out in their report on page 6.

The directors are responsible for the preparation of the annual report and accounts. The directors are required by the Companies Act 2006 to prepare company accounts for each financial year in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. They are responsible for preparing accounts that present fairly the financial position, financial performance and cash flows of the Company. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the annual report and accounts complies 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.

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report includes a fair review of the development and performance of the business and position of the Company.

**DIRECTORS' REPORT**

**DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the directors at the date of approval of this report confirms that:

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

This confirmation is given and shall be interpreted in accordance with the provisions of section 418(2) of the Act.

**DIRECTORS' INDEMNITIES**

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the Directors' Report and the financial statements.

**INDEPENDENT AUDITOR**

The auditor, Ernst & Young LLP, has expressed their willingness to continue in office. Pursuant to section 487 of the Act, Ernst & Young LLP, subject to any resolution to the contrary, are deemed to have been re-appointed as auditor of the Company.

Approved by the Board of Directors and signed on its behalf:



Ian Hancock  
Per pro Intertrust Directors 1 Limited  
Director  
Date: 27 July 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST COVERED BONDS (HOLDINGS) LIMITED**

### **Opinion**

We have audited the financial statements of NatWest Covered Bonds (Holdings) Limited (the "company") for the year ended 31 December 2020 which comprise the Statement of Financial Position and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 27 July 2022, which is in excess of 12 months from when the financial statements are authorised for issue.

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

### **Other information**

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

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

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

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST COVERED BONDS (HOLDINGS) LIMITED**

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

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

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

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



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST COVERED BONDS (HOLDINGS) LIMITED

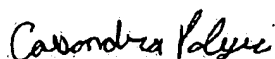
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006 and International Accounting Standards in conformity with the requirements of the Companies Act 2006.
- We understood how NatWest Covered Bonds (Holdings) Limited is complying with those frameworks by making inquiries of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations. We also reviewed minutes of the Board meetings and gained an understanding of the company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by making inquiries of the management. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries with the management and the directors. We also reviewed minutes of the Board meetings.

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

### Use of our report

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



Cassandra Polegri (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date: 27 July 2021

**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2020

	Notes	2020 £	2019 £
<b>Non-current asset</b>			
Investment in group undertaking	8	80	80
<b>Total assets</b>		<u>80</u>	<u>80</u>
<b>Non-current liabilities</b>			
Amounts due to group undertaking	9	79	79
<b>Total liabilities</b>		<u>79</u>	<u>79</u>
<b>Equity</b>			
Share capital	10	1	1
<b>Total equity</b>		<u>1</u>	<u>1</u>
<b>Total liabilities and equity</b>		<u>80</u>	<u>80</u>

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

These financial statements have been delivered with no profit and loss account in accordance with the provisions under section 444(5) of the Companies Act 2006 applicable to companies subject to the small companies' regime.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements of the Company were approved by the Board of Directors on 27 July 2021 and signed on its behalf by:



Ian Hancock  
Per pro Intertrust Directors 1 Limited  
Director

## NOTES TO THE FINANCIAL STATEMENTS

**1. Accounting policies****a) Preparation and presentation of financial statements**

These financial statements are prepared:

- on a going concern basis.
- under IFRS issued by the International Accounting Standards Board (IASB) and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- on the historical cost basis.

The Company is incorporated in the UK and registered in England and Wales and the financial statements are presented:

- in accordance with the Act and
- in Sterling which is the functional currency of the Company

The few changes to IFRS that were effective from 1 January 2020 have had no material effect on the Company's financial statement for the year ended 31 December 2020.

**b) Investments in group undertakings**

Investments in group undertakings are stated at cost less any impairment.

**c) Accounting developments**

No recent IASB announcement is expected to have a material effect on the Company's accounting policies or financial statements.

**2. Critical accounting policies and key sources of estimation uncertainty**

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements.

**3. Statement of comprehensive income**

The Company has not traded during the financial year nor the preceding financial year. It received no income and incurred no expenditure and consequently has made neither a profit nor a loss. A statement of comprehensive income is therefore not presented.

**4. Statement of changes in equity**

The Company has not traded during the financial year or the preceding financial year. It received no income and incurred no expenditure. The company has no reserves and the only equity is the share capital as disclosed in note 10. Consequently, a statement of changes in equity has not been prepared.

**5. Statement of cash flow**

The Company did not trade during the financial year or the preceding financial year. It received no income and incurred no expenditure. The Company has no cash or cash equivalent balance. Consequently, statement of cash flow has not been prepared.

## NOTES TO THE FINANCIAL STATEMENTS

**6. Staff costs, number of employees and directors' emoluments**

The Company employed no staff during the year (2019: none). During the year under review the directors did not receive any remuneration from the Company in respect of qualifying services to the Company (2019: £nil).

**7. Auditor's remuneration**

Auditor's remuneration of £6,000 (2019: £6,000) including VAT of £1,000 (2019: £1,000) which is irrecoverable by the Company is paid by NatWest Covered Bonds LLP on the Company's behalf.

**8. Investment in group undertaking**

Investment in group undertaking are carried at cost less impairment. Balances at end of the year were as follows:

	2020 £	2019 £
At 1 January and 31 December- cost and net book value	<u>80</u>	<u>80</u>

The investment in group undertaking of the Company are shown below. Their capital consists of the issued ordinary shares of £1 each which are unlisted.

Name of investment in group undertaking	Country of incorporation and operation	Proportion of ownership interest %	Principal activity
NatWest Covered Bonds (LM) Limited	UK	80%	Acting as liquidation member to NatWest Covered Bonds LLP

NatWest Covered Bonds (LM) Limited is consolidated into the accounts of National Westminster Bank Plc under IFRS 10 Consolidated Financial Statement as it has the risks and benefits related to the Company.

The registered office of NatWest Covered Bonds (LM) Limited is 1 Bartholomew Lane, London, EC2N 2AX.

**9. Amounts due to group undertaking**

	2020 £	2019 £
Group undertaking	<u>79</u>	<u>79</u>

Amounts due to group undertaking, which are non-interest bearing, represent the funds needed to acquire the interest in the NatWest Covered Bonds (LM) Limited.

**10. Share capital**

	2020 £	2019 £
<b>Allotted, called-up and fully paid:</b>		
<b>Equity shares</b>		
1 ordinary share of £1	<u>1</u>	<u>1</u>

The Company has one class of ordinary share which carries no right to fixed income.

## NOTES TO THE FINANCIAL STATEMENTS

**11. Financial risk management**

The principal risks to which the Company is exposed are liquidity risk and operational risk. The Company has established a comprehensive framework for the management of these risks.

**Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

**Operational risk**

Operational risk losses occur as the result of fraud, human error, missing or inadequately designed processes, failed systems, damage to physical assets, improper behaviour or from external events. The Company manages these risks through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingent facilities to support operations in the event of disaster.

As the Company is a holding company with no customers, it is not exposed to other risks such as market risk, interest risk, currency risk or credit risk.

**12. Related parties****Group undertakings**

The entire share capital of the Company is held by the legal parent company, Intertrust Corporate Services Limited ("ICS"), a company incorporated in the United Kingdom and registered in England and Wales, which holds the share on a discretionary trust basis under a declaration of trust for the benefit of certain charities. As the trustees are not entitled to any economic benefit and the beneficiaries do not have any decision making power, there is no controlling party.

The directors consider ICS to be the ultimate parent undertaking. ICS is a wholly owned subsidiary of Intertrust Management Limited.

During the year fees of £6,000 (2019: £9,566) were paid to Intertrust Management Limited in respect of corporate services provided by Intertrust, this amount includes fees paid on behalf of the Company by NatWest Covered Bonds LLP.