

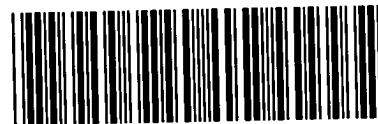
Company Registered No: 11194605

NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2019

FRIDAY



A971QZI8

A20

19/06/2020

#65

COMPANIES HOUSE

CONTENTS**Page**

Officers and professional advisers	1
Strategic report	2
Directors' report	7
Independent auditor's report	8
Statement of comprehensive income	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS: Jeffrey Scott (Chairperson)
Stuart Foster
Graham Halstead
James Rowney
Dominic Simpson

COMPANY SECRETARY: Rachael Pocklington

REGISTERED OFFICE: 250 Bishopsgate
London
United Kingdom
EC2M 4AA

INDEPENDENT AUDITOR: Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Registered in England and Wales

STRATEGIC REPORT

The directors of NatWest Trustee and Depositary Services Limited (the "Company") present their report together with the audited financial statements for the year ended 31 December 2019.

ACTIVITIES AND BUSINESS REVIEW**Activity**

The principal activity of the Company continues to be trustee and depositary services business. The Company has been authorised by the Financial Conduct Authority (FCA) as a MiFID investment firm with appropriate top-up permissions to provide trustee and depositary services to Collective Investment Schemes (CIS), including Alternative Investment Funds (AIFs) and Undertakings for Collective Investment in Transferable Securities Directive (UCITS), in the UK. The Company therefore provides corporate trustee and depositary services to UK domiciled Authorised Fund Managers (AFMs) in respect of the CIS they operate.

During 2019 the Company launched a Dealing & Custody service to enhance the existing services provided to existing clients and new clients. The Company expects to start to generate income from this service during 2020. The service is available to The Royal Bank of Scotland International Limited banked UK domiciled fund managers and offers trading and custody services in UK and European equity and fixed income assets. The Company's income from the service will predominantly be annual custody fees based on the total value of assets under administration but is not anticipated to be a material contributor to the Company's revenues in the short to medium term.

The Company is a subsidiary of The Royal Bank of Scotland International (Holdings) Limited which in turn is a subsidiary of The Royal Bank of Scotland Group plc (RBS Group) 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 and 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 RBS Group review these matters at a group level. Copies can be obtained from Corporate Governance and Regulatory Affairs, RBS Gogarburn, Edinburgh, PO Box 1000, EH12 1HQ, the Registrar of Companies or at www.rbs.com.

The Company is regulated by the Financial Conduct Authority (FCA).

Review of the year***Business review***

The directors are satisfied with the Company's performance in the year. The Company will be guided by its shareholder in seeking further opportunities for growth.

Financial Performance

The Company's financial performance is presented from pages 11 to 13.

The operating profit before taxation for the year was £11,025k (2018: £2,605k). The retained profit for the year was £8,886k (2018: £2,044k). This is the first full year of trading for the Company which is the key reason for increase to prior year.

At the end of the year, the balance sheet showed total assets of £87,592k (2018: £75,530k). Total shareholder funds were £75,930k (2018: £67,044k).

The Company holds off balance sheet balances due to its fiduciary capacity at the end of the year these were £370bn (2018: £390bn).

Capital management

The Company's capital position remained strong during 2019 as evidenced by the CET1 ratio of 69.3% at 31 December 2019 (2018: 81.9%).

The movement in CET1 capital from £65m to £67m represents the 2018 retained profits.

STRATEGIC REPORT***Principal risks and uncertainties***

The prevailing market and economic conditions pose risks for the Company. The financial position of the Company, liquidity position, capital and funding sources are set out in the financial statements. Note 11 to the financial statement include the Company's objectives, policies and processes for managing its risks. Over the past year the Company's corporate governance and risk management frameworks have been strengthened. These enhancements complement the risk culture programme which seeks to make risk management a natural part of how colleagues think, behave and work.

In the first quarter of 2020, the World Health Organisation declared the COVID-19 coronavirus outbreak to be a pandemic. Many governments, including the UK, have taken stringent measures to contain and/or delay the spread of the virus.

Actions taken in response to the spread of COVID-19 have resulted in severe disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies.

The Natwest Group (the "Group") has a well-developed business continuity plan which includes pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and continue as viable business.

Directors' Duties and Engagement with Stakeholders**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.

Board training

Directors are supported in the discharge of their duties by the Company Secretary. All directors receive guidance on their statutory duties as part of their induction programme. Directors also receive ongoing training on various topics throughout the year, for example competition law, anti-money laundering requirements and Client Money and Assets.

RBS Group has introduced a new approach to board and committee papers with greater focus on ensuring relevant stakeholder interests are clearly articulated. Additionally, guidance on documenting decisions has been refreshed to ensure these are recorded in a consistent manner across RBS Group.

Key stakeholders

The Company's key stakeholders are colleagues, authorised fund managers, third party providers (such as custodians and data suppliers), regulators and the Company's shareholder.

Colleagues

The Company values the input of its colleagues and actively seeks opportunities to engage with them to contribute to on-going dialogue and activities to make the Company a better bank for our customers and colleagues. The survey of colleague opinions, known as 'Our View', provides valuable data to decision makers across the Company in support of improving employee engagement and satisfaction. This progress is tracked through surveys during the financial year, utilising questions common across the financial services industry to compare ourselves against our peers.

The Company promotes flexible working for all colleagues. We help to facilitate flexible working and colleagues are able to avail of a range of flexible working options including regular or occasional working from home, working variable hours or working part time.

STRATEGIC REPORT**Diversity and inclusion**

The Company has a Diversity and Inclusion Policy and values and promotes diversity in all areas of recruitment and employment. Building a working environment where all our colleagues can develop to their full potential is important to us irrespective of their age, belief, disability, ethnic or national origin, gender, gender identity, marital or civil partnership status, political opinion, race, religion or sexual orientation.

We work to avoid limiting potential through bias, prejudice or discrimination. The Company recognises the beneficial contribution of a diverse mix of uniquely talented individuals for the delivery of great service to our diverse customer base. Key principles of our Diversity and Inclusion Policy include that we attract, motivate and retain the best talent. We base the employment relationship on the principles of fairness, respect and inclusion. We comply with local laws on equality and Our Code, which sets out the Company's expected behaviours and standards of conduct, to build and develop an inclusive workforce in order to understand and respond to our diverse customer base.

Developing our colleagues

Ongoing professional development for our colleagues is important to the Company.

The Company offers a wide range of learning opportunities including technical knowledge and skills. We need to prepare colleagues for the future and we continue to focus broader development on our Critical People Capabilities.

We're committed to developing colleagues in the five key critical capability areas we have identified, that will help build the right knowledge, skills and behaviours, to help our colleagues stay relevant and employable, and support our ambition and purpose. In addition, we are encouraging agility and shifting mindsets so that a focus on the future, continuous learning, knowledge sharing and reflective practice becomes the norm.

Rewarding our colleagues

Our approach to performance management provides clarity for our colleagues about how their contribution links to our ambition. It recognises contributions that support our values and holds individuals to account for behaviour and performance that does not.

Regulators

The Board recognises the importance of open and continuous dialogue with regulators and receives updates on engagement the business has with them.

Shareholder

The Company recognises the benefits that being part of a wider Group provides, for example in terms of the ability to call on extensive IT and other specialist resources. The shareholder's perspective is provided through interactions at management and board levels.

Customers and suppliers

Customers are at the heart of everything the Company does and the Board recognises the key role suppliers play in ensuring the company delivers a reliable service to customers.

The Company is also committed to managing the wider social, environmental and economic impacts of its operations which includes the way it deals with its customers and manages sustainability issues in its supply chain. Please see [rbs.com](https://www.rbs.com) for the Modern Slavery Statement and details of the Supplier Code of Conduct, both of which apply to the Company

How stakeholder interests have influenced decision making

The Company recognises the importance of engaging with stakeholders to help inform the Company's strategy and board decision making. Relevant stakeholder interests are taken into account by the Board when it takes decisions.

The Company defines principal decisions as those that are material or of strategic importance to the Company and also those that are significant to any of the Company's key stakeholder groups. In making the following principal decisions, the Board considered the outcomes of relevant stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct.

STRATEGIC REPORT**How stakeholder interests have influenced decision making (continued)**

The Board has approved initiatives being undertaken by the Company to modernise architecture and how data is dealt with, streamline operating model and improve controls and evolve the business model to become the depositary of the future, all of which will benefit key stakeholders.

The Company aims to be a data driven depositary and to maximise use of data resources to enable provision of value add services to customers. During 2019, the Company changed one of their main suppliers of data services achieving significant cost savings for business, more functionality in service provision and the option to utilise other services available from that supplier in due course to align with the overall strategy.

Going Concern

The directors, based on the Company's cash flows, capital and liquidity position and also having considered the uncertainties associated with COVID-19 pandemic (see note 1), 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.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a Strategic report, Directors' report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework, and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 has been followed; 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 to enable them to ensure that the Strategic report, Directors' report and financial statements comply with the requirements of 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.

STRATEGIC REPORT

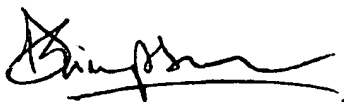
DISCLOSURE OF INFORMATION TO AUDITOR

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 of the Companies Act 2006.

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



Dominic Simpson

Director

24 April 2020

DIRECTORS' REPORT

The Strategic report includes the review of the year, risk report, disclosure of information to the auditor and directors' responsibilities statement.

DIRECTORS AND COMPANY SECRETARY

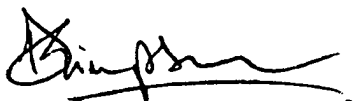
The present directors and secretary are listed on page 1.

From 1 January 2019 to date, the following changes have taken place:

Directors	Appointed	Resigned
Stuart Foster	12 October 2019	-
Stephen Reilly	-	23 May 2019
Simon Wright	-	20 September 2019
Dominic Simpson	5 December 2019	-
Lynn Cleary	-	5 December 2019

AUDITOR

Ernst & Young LLP has expressed its willingness to continue in office as auditor. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming AGM.



Dominic Simpson

Director

24 April 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

Opinion

We have audited the financial statements of Natwest Trustee and Depositary Services Limited for the year ended 31 December 2019 which comprises the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 13 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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, 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.

Emphasis of matter – effects of Covid-19

We draw attention to Note 1 of the financial statements, which describes the significant uncertainty the company is facing regarding the developments of the Covid-19 pandemic and the future economic recovery. This is impacting the current business operations and financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST TRUSTEE AND DEPOSITARY SERVICES 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 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; or
- the directors were not entitled to take advantage of the small companies' exemption 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

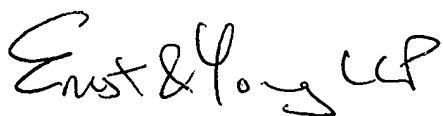
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATWEST TRUSTEE AND DEPOSITARY SERVICES LIMITED

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.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP'.

Amarjit Singh (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
Date: 24 April 2020

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

		2019	2018
	Notes	£'000	£'000
Income from continuing operations			
Turnover	3	31,898	6,766
Operating expenses	4	(20,873)	(4,161)
Operating profit		11,025	2,605
Tax charge	6	(2,139)	(561)
Profit and total comprehensive income for the year		8,886	2,044

The comparative period covers 8 February 2018 to 31 December 2018.

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

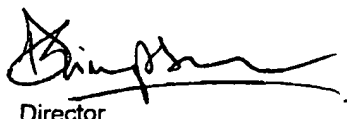
BALANCE SHEET

as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Current assets			
Amount due from group companies	12	360	221
Prepayments, accrued income and other assets	7	4,839	2,890
Cash at Bank	8	82,393	72,403
		87,592	75,514
Non-current assets			
Deferred tax asset	6	-	16
Total assets		87,592	75,530
Current liabilities			
Amount due to group companies	12	6,517	6,093
Accruals, deferred income and other liabilities	9	2,887	1,729
Current tax liabilities		2,123	577
		11,527	8,399
Non-current Liabilities			
Accruals, deferred income and other liabilities	9	135	87
Total liabilities		11,662	8,486
Equity			
Called up share capital	10	65,000	65,000
Profit and loss account		10,930	2,044
Total equity		75,930	67,044
Total liabilities and equity		87,592	75,530

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

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2020 and signed on its behalf by:



Director

Dominic Simpson

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital £'000	Profit and loss account £'000	Total £'000
At 8 February 2018	-	-	-
Share capital issued	65,000	-	65,000
Profit for the period	-	2,044	2,044
At 31 December 2018	65,000	2,044	67,044
Profit for the year	-	8,886	8,886
At 31 December 2019	65,000	10,930	75,930

Total comprehensive income for the year of £8,886k (2018: £2,044k) was wholly attributable to the owners of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Preparation and presentation of accounts**

These financial statements are prepared:

- based on the Company's financial and liquidity position there is 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, including when taking into consideration the impact of COVID-19. Actions taken in response to the spread of COVID-19 have resulted in severe disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies. The Natwest Group (the "Group") has a well-developed business continuity plan which includes pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and continue as viable business. As such whilst there remains significant uncertainty regarding the developments of the pandemic and the future economic recovery, it does not impact the company's ability to continue as going concern and we have therefore prepared the financial statements on the basis of a going concern;
- under Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS); and
- on the historical cost basis.

The Company meets the definition of a qualifying entity (financial) under FRS 100 Application of Financial Reporting Requirements issued by the Financial Reporting Council.

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

- in accordance with the Companies Act 2006;
- in Sterling which is the functional currency of the Company with amounts rounded to the nearest thousands; and
- with the benefit of the disclosure exemptions permitted by FRS 101 with regard to:
 - comparative information in respect of certain assets;
 - cash-flow statement;
 - standards not yet effective;
 - related party transactions; and
 - disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair value Measurement".

Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these financial accounts are available to the public and can be obtained as set out in note 12.

The changes to IFRS that were effective from 1 January 2019 have had no material effect on the Company's financial statements for the year ended 31 December 2019.

b) Consolidated financial statements

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under IFRS 10 Consolidated Financial Statements and section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements in accordance with IFRS 10, the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its ultimate parent, The Royal Bank of Scotland Group plc, a public company incorporated in the UK.

c) Foreign currencies

Transactions in foreign currencies are translated into Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are reported in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****d) Revenue recognition**

Fees in respect of services are recognised as the right to consideration accrues through the performance of each distinct service obligation to the customer. The arrangements are generally contractual and the cost of providing the service is incurred as each service is performed. The price is usually known and always determinable.

e) Employee benefits

Short-term employee benefits, such as salaries, paid absences, and other benefits are accounted for on an accruals basis over the period in which the employees provide the related services. Company employees may receive variable compensation satisfied by cash or by shares in The Royal Bank of Scotland Group plc. The treatment of share-based compensation is set out in the RBS Annual Report and Accounts 2019. Variable compensation that is settled in cash is charged to profit or loss over the period from the start of the year to which the variable compensation relates to the expected settlement date taking account of forfeiture and claw back criteria.

The Company provides post-retirement benefits in the form of pensions and healthcare plans to eligible employees.

f) Taxation

Income tax expense, comprising current tax and deferred tax, is recorded in the profit and loss account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the period arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

g) Provisions

The Company recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

h) Financial instruments

Financial instruments are classified either by product, by business model or by reference to the IFRS default classification.

Classification by product relies on specific designation criteria which are applicable to certain classes of financial assets or circumstances where accounting mismatches would otherwise arise. Classification by business model reflects how the Company manages its financial assets to generate cash flows. A business model assessment determines if cash flows result from holding financial assets to collect the contractual cash flows; from selling those financial assets; or both.

The product classifications apply to financial assets that are either designated at fair value through profit or loss (DFV), or to equity investments designated as at fair value through other comprehensive income (FVOCI). In all other instances, fair value through profit or loss (MFVTPL) is the default classification and measurement category for financial assets.

Regular way purchases of financial assets classified at amortised cost, are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies (continued)

h) Financial instruments (continued)

All financial instruments are measured at fair value on initial recognition.

All liabilities not subsequently measured at fair value are measured at amortised cost.

Business model assessment of assets is made at portfolio level, being the level at which they are managed to achieve a predefined business objective. This is expected to result in the most consistent classification of assets because it aligns with the stated objectives of the portfolio, its risk management, manager's remuneration and the ability to monitor sales of assets from a portfolio.

i) Impairment of financial assets

At each balance sheet date each financial asset or portfolio of loans measured at amortised cost or at fair value through other comprehensive income is assessed for impairment. Loss allowances are forward looking, based on 12 month expected credit losses where there has not been a significant increase in credit risk rating (SICR), otherwise allowances are based on lifetime expected losses.

Expected credit losses (ECL) are a probability-weighted estimate of credit losses. The probability is determined by the risk of default which is applied to the cash flow estimates. In the absence of a change in credit rating, allowances are recognised when there is reduction in the net present value of expected cash flows. On a significant increase in credit risk, allowances are recognised without a change in the expected cash flows, although typically expected cash flows do also change; and expected credit losses are rebased from 12 month to lifetime expectations.

j) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition in accordance with IFRS 9 "Financial Instruments".

A financial liability is removed from the balance sheet when the obligation is discharged, or cancelled, or expires.

k) Cash at bank

Cash at bank represents deposits with banks.

l) Assets under management

The Company holds off balance sheet balances due to its fiduciary capacity. A CASS (Client Assets Specialist Sourcebook) audit is carried out separately on an annual basis for the UK Financial Conduct Authority. Ernst and Young LLP have provided this service during the 2019 period under the FRC's CASS Audit Standard.

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. In accordance with their responsibilities for these financial statements, the estimates the directors consider most important to the portrayal of the Company's performance and financial condition is discussed below.

Provision for bad debts

In calculating the probability of default under IFRS 9 a degree of judgement is required in relation to defining the probability of default at each grade with historical default rates being a key consideration. No provision is included in these financial statements as the outcome of the calculation was too low to be considered of relevance.

3. Turnover

	2019 £'000	2018 £'000
Depository fees	31,485	6,766
Interest receivable	413	-
	31,898	6,766

NOTES TO THE FINANCIAL STATEMENTS

4. Operating expenses

	2019 £'000	2018 £'000
Wages, salaries and other staff costs	9,033	1,856
Directors' fees	60	15
Pension costs	1,029	216
National insurance costs	828	206
Other administrative expenses	8,662	1,779
Premises and equipment	1,261	89
	20,873	4,161

The Company made contributions of £634k (2018: £92k) to its defined benefit pension contribution fund and £395k (2018: £124k) to the defined contribution scheme during the period.

Pension Costs – Defined Benefit Scheme

Eligible employees of the Company are members of a fully segregated section of the The Royal Bank of Scotland Group Pension Fund, which was established in 2018 as part of the Group's preparation for ring-fencing. The section only provides benefits to employees of The Royal Bank of Scotland International (Holdings) Limited and its subsidiaries. For further information on the Fund please refer to the RBS Annual Report and Accounts 2019.

Pension Costs – Defined Contribution Scheme

Eligible employees of the Company can participate in membership of the RBS operated pension schemes. Employees are members of The Royal Bank of Scotland Retirement Savings Plan, a defined contribution pension scheme. Detailed disclosure of the RBS pension schemes is available in the RBS Annual Report and Accounts 2019.

The average number of persons employed by the Company during the period is 155 (2018: 152).

5. Operating profit before tax

Profit/(loss) before tax is stated after charging:

	2019 £'000	2018 £'000
Auditor's remuneration-audit services	171	148
Inter-group recharges	7,827	831
	7,998	979

Inter-group recharges include the costs of staff borne by the other members of the group, none of which can be apportioned meaningfully in respect of services to the Company.

The auditor's remuneration in relation to the audit of the financial statements was £44k (2018: £24k) (inclusive of VAT) whilst the remaining £127k (2018: £124k) (inclusive of VAT) relates to the CASS (Client Assets Specialist Sourcebook) audit.

6. Tax

	2019 £'000	2018 £'000
Current tax:		
Charge for the year/period	2,140	577
Over provision in respect of prior periods	(17)	-
Total current tax	2,123	577
Deferred tax:		
Credit for the year/period	-	(16)
Under provisions in respect of prior year	16	-
Tax charge for the year/period	2,139	561

NOTES TO THE FINANCIAL STATEMENTS

6. Tax (continued)

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2018: standard tax rate 19%) as follows:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	11,025	2,605
Expected tax charge	2,095	495
Non-deductible items	45	66
Adjustments in respect of prior periods	(1)	-
Actual tax charge for the year/period	2,139	561

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the rates substantively enacted at the balance sheet date standing at 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account these rates, as these were substantively enacted at the balance sheet date.

Since the balance sheet date, it was announced in the UK Government's Budget on 11 March 2020 that the reduction in the UK Corporation rate to 17% from 1 April 2020 will no longer happen. Instead, the UK Corporation tax rate will remain at 19%. This change was substantively enacted on 17 March 2020.

As a result, existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 19% rate. The impact of the post balance sheet date change in tax rate is not expected to be material.

Deferred tax

The following are the major tax assets recognised by the Company, and the movements thereon.

	Provisions £'000
At 8 February 2018	-
Credit to Income statement	16
At 31 December 2018	16
Charge to Income statement	(16)
At 31 December 2019	-

7. Prepayments, accrued income and other assets

	2019 £'000	2018 £'000
Accrued Income	4,839	2,890

8. Cash at Bank

	2019 £'000	2018 £'000
Balances with The Royal Bank of Scotland International Limited	55,726	62,403
Balances with Third Party Banks	26,667	10,000
	82,393	72,403

9. Accruals, deferred income and other liabilities

	2019 £'000	2018 £'000
Accruals, deferred income and other liabilities	2,887	1,729
Due more than one year – staff bonus accruals	135	87
	3,022	1,816

Accruals are comprised of Value Added Tax, National Insurance Contributions and accrued costs.

NOTES TO THE FINANCIAL STATEMENTS

10. Share capital

	2019 £	2018 £
Authorised:		
Equity shares		
65,000,100 ordinary shares of £1 each	<u>65,000,100</u>	<u>65,000,100</u>
Allotted, called up and fully paid:		
Equity shares		
65,000,100 ordinary shares of £1 each	<u>65,000,100</u>	<u>65,000,100</u>

The Company has one class of Ordinary Shares which carry no right to fixed income.

11. Risk management

Three lines of defence

The three lines of defence model is used across the RBS Group to articulate accountabilities and responsibilities for managing risk. The first line is accountable for managing its own risks within the appetite set by the Board. It incorporates most roles in the Company, including those in the customer-facing businesses, Technology and Services as well as support functions such as Human Resources, Legal and Finance.

The second line of defence is the Risk function which is responsible for the design and maintenance of the risk management framework as well as advising, monitoring, approving, challenging and reporting on the first line's risk-taking activities.

The third line of defence is Internal Audit, which provides assurance to the NWTDS Audit Committee on the appropriateness of the design and operational effectiveness of governance, risk management and internal controls to monitor and mitigate material risks. All roles in the Company sit within one of these three lines.

Risk appetite

Risk appetite defines the level and types of risk that are acceptable, within risk capacity, in order to achieve strategic objectives and business plans. It links the goals and priorities to risk management in a way that guides and empowers staff to serve customers well and achieve financial targets.

The risk appetite framework which is approved annually by the Board bolsters effective risk management by promoting sound risk-taking through a structured approach, within agreed boundaries. It also ensures emerging risks and risk-taking activities that would be out of appetite are identified, assessed, escalated and addressed in a timely manner.

Risk appetite is communicated across the RBS Group through risk appetite statements. These provide clarity on the scale and type of activities that can be undertaken in a manner that is easily conveyed to staff.

The annual process of establishing risk appetite statements is completed alongside the business and financial planning process. This ensures plans and risk appetite are appropriately aligned. The Board sets risk appetite for the most material risks to help ensure the Company is well placed to meet its priorities and long-term targets even under challenging economic environments. It is the basis on which the Company remains safe and sound while implementing its strategic business objectives.

The Company's risk profile is frequently reviewed and monitored and management focus is concentrated on all strategic risks, material risks and emerging risk issues. Risk profile relative to risk appetite is reported regularly to the Board and senior management.

Risk controls and limits

Risk controls and their associated limits are an integral part of the risk appetite approach and a key part of embedding risk appetite in day-to-day risk management decisions. A clear tolerance for material risk types is set in alignment with business activities.

RBS Group policies support the qualitative aspects of risk appetite. They ensure that appropriate controls are set and monitored.

NOTES TO THE FINANCIAL STATEMENTS**11. Risk management (continued)****Risk identification and measurement**

Risk identification and measurement within the risk management process comprise:

- Regular assessment of the overall risk profile, incorporating market developments and trends, as well as external and internal factors.
- Monitoring of the risks associated with credit exposures.
- Review of potential risks in new business activities and processes.
- Analysis of potential risks in any complex and unusual business transactions.

The financial and non-financial risks that the Company faces are detailed in the Risk Directory. This provides a common risk language to ensure consistent terminology is used across RBS Group. The Risk Directory is subject to annual review. This ensures that it continues to provide a comprehensive and meaningful list of the inherent risks within the businesses.

Within the Company, a 'Risk Universe' is produced to provide a legal entity view of the RBS Group Risk Directory. This helps to acknowledge that there are some risks faced by the Company that are not material at RBS Group level and, conversely, there are risks that are more material to the RBS Group than to the Company directly.

Risk treatment and mitigation

Risk treatment and mitigation is an important aspect of ensuring that risk profile remains within risk appetite. Risk mitigation strategies are discussed and agreed with the businesses.

When evaluating possible strategies, costs and benefits, residual risks (risks that are retained) and secondary risks (those that are due to risk mitigation actions) are considered. Monitoring and review processes are in place to evaluate results. Early identification, and effective management, of changes in legislation and regulation are critical to the successful mitigation of compliance and conduct risk. The effects of all changes are managed to ensure the timely achievement of compliance. Those changes assessed as having a high or medium-high impact are managed more closely. Significant and emerging risks that could affect future results and performance are reviewed and monitored. Action is taken to mitigate potential risks as and when required. Further in-depth analysis, including the stress testing of exposures relative to the risk, is also carried out.

Risk testing and monitoring

Targeted compliance & conduct risk and financial crime risk activities are subject to testing and monitoring to confirm to both internal and external stakeholders – including the Board, senior management, the customer-facing businesses, Internal Audit and the Company's regulators – that risk owned policies and procedures are being correctly implemented and operating adequately and effectively. Selected key controls are also reviewed. Thematic reviews and deep dives are also carried out where appropriate.

The adequacy and effectiveness of selected key controls owned and operated by the second line of defence are also tested.

Anti-money laundering, sanctions, anti-bribery and corruption and tax evasion processes and controls are also tested and monitored. This helps provide an independent understanding of the financial crime control environment, whether or not controls are adequate and effective and whether financial crime risk is appropriately identified, managed and mitigated.

Compliance & conduct risk**Definition**

Compliance risk is the risk that the behaviour of the Company and its staff towards our customers fails to comply with laws, regulations, rules, standards and codes of conduct, leading to breaches of regulatory requirements, organisational standards or customer expectations resulting in legal or regulatory sanctions, material financial loss or reputational damage.

Conduct risk is the risk that the conduct of the Company and its subsidiaries and its staff towards customers, or in the markets in which it operates, leads to unfair or inappropriate customer outcomes and results in reputational damage, financial loss or both.

NOTES TO THE FINANCIAL STATEMENTS**11. Risk management (continued)****Sources of risk**

Compliance and conduct risks exist across all stages of the Company's relationships with its customers and arise from a variety of activities including product design, marketing and sales, complaint handling, staff training, and handling of confidential insider information.

Key developments in 2019

- Policies were rationalised and simplified to support wider understanding and compliance.
- Targeted training was rolled out across the lines of defence to support framework embedding.

Risk governance

The Company defines appropriate standards of compliance and conduct and ensures adherence to those standards through the risk management framework. Relevant compliance and conduct matters are escalated through the Company's senior risk committees and the Board Risk Committee.

Risk appetite

Risk appetite for compliance and conduct risks is set at NatWest Trustee and Depositary Services Board level. Risk appetite statements articulate the levels of risk that legal entities, businesses and functions work within when pursuing their strategic objectives and business plans.

Risk controls

A range of controls is operated to ensure business delivers good customer outcomes and is conducted in accordance with legal and regulatory requirements. A suite of policies addressing compliance and conduct risks set appropriate standards across RBS Group. Examples of these include the Complaints Management Policy, Client Assets & Money Policy, and Product Lifecycle Policy as well as policies relating to customers in vulnerable situations, cross-border activities and market abuse. Continuous monitoring and targeted assurance is carried out as appropriate.

Risk monitoring and measurement

Compliance and conduct risks are measured and managed through continuous assessment and reporting to senior risk committees and at Board level. The compliance and conduct risk framework facilitates the consistent monitoring and measurement of compliance with laws and regulations and the delivery of consistently good customer outcomes.

Risk mitigation

Activity to mitigate the most-material compliance and conduct risks is carried out across RBS Group with specific areas of focus in the customer-facing businesses and subsidiaries such as the Company. Examples of mitigation include consideration of customer needs in business and product planning, targeted training and complaints management, as well as independent assurance activity. Internal policies help support a strong customer focus across RBS Group. Independent assessments of compliance with applicable regulations are also carried out at the Company level.

Financial crime risk**Definition**

Financial crime risk is the risk presented by criminal activity in the form of money laundering, terrorist financing, bribery and corruption, sanctions and tax evasion. It does not include fraud risk management.

Sources of risk

Financial crime risk may be presented if the Company's employees, customers or third parties undertake or facilitate financial crime, or if the Company's products or services are used to facilitate such crime. Financial crime risk is an inherent risk across all of the Company's lines of business.

Key developments in 2019

- Enhanced financial crime risk assessment processes were implemented to enable improved identification and mitigation of financial crime risks
- Financial crime policies were refreshed and updated to reflect changes to the regulatory environment and industry best practice.

NOTES TO THE FINANCIAL STATEMENTS

11. Risk management (continued)

Risk governance

The RBS Group Financial Crime Risk Executive Committee, which is chaired by the RBS Group Chief Financial Crime Risk Officer, is the principal financial crime risk management forum. The committee reviews and, where appropriate, escalates material financial crime risks and issues across RBS Group to the Executive Risk Committee and the Board Risk Committee.

Risk appetite

There is no appetite to operate in an environment where systems and controls do not enable the identification, assessment, monitoring, management and mitigation of financial crime risk. The Company's systems and controls must be comprehensive and proportionate to the nature, scale and complexity of its businesses. There is no tolerance to systematically or repeatedly breach relevant financial crime regulations and laws.

Risk controls

The Company operates a framework of preventative and detective controls designed to ensure the Company mitigates the risk that it could facilitate financial crime. These controls are supported by a suite of policies, procedures and detailed instructions to ensure they operate effectively.

Risk monitoring and measurement

Financial crime risks are identified and reported through continuous risk management and regular monthly reporting to the Company's senior risk committees and quarterly to the Board. Quantitative and qualitative data is reviewed and assessed to measure whether financial crime risk is within the Company's risk appetite.

Risk mitigation

Through the financial crime framework, the Company employs relevant policies, systems, processes and controls to mitigate financial crime risk. This would include the use of dedicated screening and monitoring controls to identify people, organisations, transactions and behaviours which might require further investigation or other actions. The Company ensures that centralised expertise is available to detect and disrupt threats to the Company and its customers. Intelligence is shared with law enforcement, regulators and government bodies to strengthen national and international defences against those who would misuse the financial system for criminal motives.

Climate-related financial risk

Climate-related financial risk is the threat of financial loss associated with the impact of climate change and the political, economic and environmental responses to it.

Financial risks from climate change arise from physical risks – including the threats from extreme weather events, flooding and sea level rises – and transition risks, which are those relating to the move to a low carbon economy, including changes due to evolving customer behaviour as well as those resulting from new regulation or legislation.

The RBS Group Board is responsible for addressing and overseeing the financial risks from climate change within the overall business strategy and risk appetite. Climate risk will be considered and, where appropriate, embedded in the risk management framework and subject to the governance set out by individual risk disciplines.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. It arises from day-to-day operations and is relevant to every aspect of the organisation. Operational risk appetite supports effective management of material operational risks. It expresses the level and types of operational risk the Company is willing to accept to achieve its strategic objectives and business plans. Risk appetite for operational risk is set at Board level. Risk appetite statements articulate the levels of risk that legal entities, businesses and functions work within when pursuing their strategic objectives and business plans.

Risk and control assessments are used across all business areas and support functions to identify and assess material operational and conduct risks and key controls.

NOTES TO THE FINANCIAL STATEMENTS

11. Risk management (continued)

All risks and controls are mapped to RBS Group's Risk Directory. Risk assessments are refreshed at least annually to ensure they remain relevant and capture any emerging risks as well as ensuring risks are reassessed.

The process is designed to confirm that risks are effectively managed in line with risk appetite. Controls are tested on a regular basis to ensure they operate effectively to reduce identified risks.

Scenario analysis is used to assess how extreme but plausible operational risks will affect the Company. It provides a forward-looking basis for evaluating and managing operational risk exposures.

Operational resilience is managed and monitored through the risk and control assessments methodology. This is underpinned by setting, monitoring and testing tolerances for key business services. Progress continues on the response to regulatory expectations on operational resilience.

12. Related parties

UK Government

The UK Government through HM Treasury is the ultimate controlling party of RBS Group plc. Its shareholding is managed by UK Government Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arms' length basis; they include the payment of taxes including UK corporation tax.

Group companies

At 31 December 2019

The Company's immediate parent was:	The Royal Bank of Scotland International (Holdings) Limited
The smallest consolidated accounts including the company were prepared by:	
The ultimate parent company was:	The Royal Bank of Scotland Group plc

The immediate parent company is incorporated in Jersey and the ultimate parent company is incorporated in the UK. Copies of their accounts may be obtained from Legal Governance and Regulatory Affairs, The Royal Bank of Scotland, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ or through the RBS website www.rbs.com.

On 14 February 2020 the ultimate parent company, The Royal Bank of Scotland Group plc, announced its intention to rename to NatWest Group plc later in 2020.

Related party transactions

	2019 £'000	2018 £'000
Assets		
Amounts due from The Royal Bank of Scotland International Limited	54	40
Amounts due from fellow group subsidiaries	306	181
	360	221
Liabilities		
Amounts due to The Royal Bank of Scotland International Limited	6,283	5,928
Amounts due to fellow group subsidiaries	234	165
	6,517	6,093

NOTES TO THE FINANCIAL STATEMENTS

12. Related parties (continued)

The subsidiary undertakings of the Company, which had an accounting reference date of 31 December 2019, unless otherwise indicated, were:

Name of Subsidiary	Note	Country of incorporation	Proportion of ownership interest %	Proportion of ownership interest %	Principal activity
WGTC Nominees Limited	1	England and Wales	100	100	Dormant Company
British Overseas Bank Nominees Limited	1	England and Wales	100	100	Dormant Company
FIT Nominee Limited	1	England and Wales	100	100	Dormant Company
Freehold Managers (Nominees Limited)	1	England and Wales	100	100	Dormant Company
FIT Nominee 2 Limited	1	England and Wales	100	100	Dormant Company
HPUT A Limited	1	England and Wales	100	100	Dormant Company
HPUT B Limited	1	England and Wales	100	100	Dormant Company
Nextlinks Limited	1, 2	England and Wales	100	100	Dormant Company
TDS Nominee Company Limited	3	Scotland	100	100	Dormant Company

Note:

1. The registered office is 250 Bishopsgate, London EC2M 4AA
2. The accounting reference date is 31 March
3. The registered office is 24/25 St Andrew Square, Edinburgh EH2 1AF

13. Post Balance Sheet Event

In the first quarter of 2020, the World Health Organisation declared the COVID-19 coronavirus outbreak to be a pandemic. Many governments, including the UK, have taken stringent measures to contain and/or delay the spread of the virus. Actions taken in response to the spread of COVID-19 have resulted in severe disruption to business operations and a significant increase in economic uncertainty, with more volatile asset prices and currency exchange rates, and a marked decline in long-term interest rates in developed economies.

While there remains significant uncertainty regarding the developments of the pandemic and the future economic recovery, the Board has concluded that COVID-19 is a non-adjusting post balance sheet event. For going concern considerations refer Note1.