

Company Registered No: SC143950

SIG 1 HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2020

COMPANIES HOUSE

11 AUG 2021

EDINBURGH MAILBOX



**CONTENTS****Page**

OFFICERS AND PROFESSIONAL ADVISERS

1

DIRECTORS' REPORT

2

INDEPENDENT AUDITOR'S REPORT

5

PROFIT AND LOSS ACCOUNT

8

STATEMENT OF COMPREHENSIVE INCOME

9

BALANCE SHEET

10

STATEMENT OF CHANGES IN EQUITY

11

NOTES TO THE FINANCIAL STATEMENTS

12

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS:** K Gopinathan  
R Mason

**COMPANY SECRETARY:** NatWest Group Secretarial Services Limited

**REGISTERED OFFICE:** RBS Gogarburn  
175 Glasgow Road  
Edinburgh  
Scotland  
EH12 1HQ

**INDEPENDENT AUDITOR:** Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY

**Registered in Scotland**

**DIRECTOR'S REPORT**

The directors of SIG 1 Holdings Limited ("the Company") present their annual report together with the audited financial statements for the year ended 31 December 2020.

**ACTIVITIES AND BUSINESS REVIEW**

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic report.

**Activity**

The principal activity of the Company continues to be an investment holding company.

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 companies.

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

The directors are satisfied with the Company's performance in the year including a reversal of the provision previously recorded for £3,188,073 as explained in note 5, a dividend of £11,400,000 (2019: £ nil) was received from SIG Number 2 Limited. The Company will be guided by its shareholders in seeking further opportunities for growth.

**FINANCIAL PERFORMANCE**

The Company's financial performance is presented on pages from 8 to 11.

The profit before taxation for the year was £14,511,124 (2019: £143,837). After a tax credit of £ 67,952 (2019: charge of £66,751), the retained profit for the year was £14,579,076 (2019: £77,086).

At the end of the year, the total assets were £7,673,719 (2019: £30,098,044). Total shareholders' funds were £2,486,203 (2019: £20,907,127).

**Dividend**

A dividend of £33,000,000 was paid during the year to RBS AA Holdings (UK) Limited (2019: nil).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Company seeks to minimise its exposure to financial risks other than credit risk.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the NatWest Group Asset and Liability Management Committee (NatWest Group ALCO).

The Company is funded by facilities from NatWest Group plc (formerly known as The Royal Bank of Scotland Group plc). These are denominated in sterling which is the functional currency and carry no significant financial risk. There were no such funded facilities during the year.

The Company's assets mainly comprise cash at bank and investments which would expose it to interest, credit and liquidity risk except that the counterparties are group companies and credit risk is not considered significant.

**DIRECTOR'S REPORT****PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

The principal risks associated with the Company are as follows:

**Interest rate risk**

Structural interest rate risk arises where assets and liabilities have different repricing maturities.

The Company manages interest rate risk by monitoring the consistency in the interest rate profile of its assets and liabilities and limiting any repricing mismatches.

**Credit risk**

Credit risk management seeks to match the risk of credit failure to price of credit on granting a facility whilst maintaining credit risk exposure in line with approved appetite for the risk that customers will be unable to meet their obligations to the Company.

The key principles of the group's Credit Risk Management Framework are set out below:

- Approval of all credit exposure is granted prior to any advance or extension of credit;
- An appropriate credit risk assessment of the customer and credit facilities is undertaken prior to approval of credit exposure. This includes a review of, amongst other things, the purpose of credit and sources of repayment, compliance with affordability tests, repayment history, capacity to repay, sensitivity to economic and market developments and risk-adjusted return;
- Credit risk authority is delegated by the Board and specifically granted in writing to all individuals involved in the granting of credit approval. In exercising credit authority, the individuals act independently of any related business revenue origination; and
- All credit exposures, once approved, are effectively monitored and managed and reviewed periodically against approved limits. Lower quality exposures are subject to a greater frequency of analysis and assessment.

**Liquidity risk**

Liquidity risk arises where assets and liabilities have different contractual maturities. Management focuses on risk arising from the mismatch of maturities across the balance sheet and from undrawn commitments and other contingent obligations. The Company manages its liquidity risk by having access to group funding.

**GOING CONCERN**

These financial statements are prepared on a going concern basis. See note 1(a) on page 12.

**DIRECTORS AND COMPANY SECRETARY**

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

From 1 January 2020 to date the following changes have taken place:

|                  | <b>Appointed</b> | <b>Resigned</b> |
|------------------|------------------|-----------------|
| <b>Directors</b> |                  |                 |
| C Parsons        | -                | 11 January 2020 |
| K Gopinathan     | 11 January 2020  | -               |

**DIRECTOR'S REPORT****DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual 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 FRS 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.

**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
- the 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.

**DIRECTORS' INDEMNITIES**

None of the directors have been indemnified under the qualifying third-party terms.

**AUDITOR**

Ernst & Young LLP has expressed its willingness to continue in office as auditor.

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

*Robert Guy Mason*  
ROBERT GUY MASON, 2021.08.05 11:21 GMT+1

R G Mason  
Director  
Date: 5<sup>th</sup> August 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIG 1 HOLDINGS LIMITED**

### **Opinion**

We have audited the financial statements of SIG 1 Holdings Limited (the 'company') for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17, 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 2020 and of its profit for the year then 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. 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 a period of twelve 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 SIG 1 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and 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 4, 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 SIG 1 HOLDINGS LIMITED

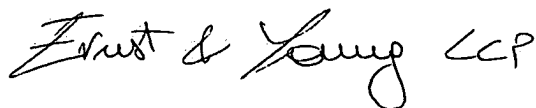
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework", Companies Act 2006 and UK tax legislation (governed by HM Revenue and Customs).
- We understood how the company is complying with those frameworks by making inquiries of management, those charged with governance and those responsible for legal and compliance matters. We also reviewed the minutes of the meetings held by the Board of directors 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 with regards to management's ability to override controls. Specifically, we considered management's ability to influence the assumptions underpinning the SME redress provision accounting estimate and reviewed and challenged management's assessment over the adequacy of the remaining provision. We also performed journal entry testing by using specific risk criteria, with a focus on manual journals indicating material or unusual transactions based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved the review of the meeting minutes of board of directors, inquiries of management and those charged with governance.

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.

A handwritten signature in black ink, appearing to read "Ernst & Young LLP", is written over a faint, larger version of the same text.

**David Gonnelli** (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date: 5 August 2021

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2020

|  |              | 2020              | 2019           |
|--|--------------|-------------------|----------------|
| <b>Income from continuing operations</b> | <b>Notes</b> | <b>£</b>          | <b>£</b>       |
| Operating income                         | 3            | 11,343,245        | 165,683        |
| Operating expenses                       | 4            | (20,194)          | (21,846)       |
| <b>Operating profit</b>                  |              | <b>11,323,051</b> | <b>143,837</b> |
| SME provision release                    | 5            | 3,188,073         | -              |
| <b>Profit before tax</b>                 |              | <b>14,511,124</b> | <b>143,837</b> |
| Tax credit/(charge)                      | 6            | 67,952            | (66,751)       |
| <b>Profit for the financial year</b>     |              | <b>14,579,076</b> | <b>77,086</b>  |

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2020**

|  | 2020              | 2019    |
|--|-------------------|---------|
|  | £                 | £       |
| <b>Profit for the financial year</b>           | <b>14,579,076</b> | 77,086  |
| FVOCI - realised gain on investments           | -                 | 219,184 |
| <b>Other comprehensive income before tax</b>   | <b>14,579,076</b> | 296,270 |
| Tax charge                                     | -                 | -       |
| <b>Total comprehensive income for the year</b> | <b>14,579,076</b> | 296,270 |

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

**BALANCE SHEET**  
 as at 31 December 2020

|   | Notes | 2020<br>£        | 2019<br>£         |
|---|-------|------------------|-------------------|
| <b>Non-Current Asset</b>                        |       |                  |                   |
| Investments in group companies                  | 8     | 1                | 1                 |
| <b>Current assets</b>                           |       |                  |                   |
| Investments - designated as at fair value       | 9     | 65,017           | 121,772           |
| Trade and other receivables                     | 10    | 16,994           | 17,079            |
| Current tax asset                               |       | 59,604           | -                 |
| Cash at bank                                    |       | 7,532,103        | 29,959,192        |
|   |       | <b>7,673,718</b> | <b>30,098,043</b> |
| <b>Total assets</b>                             |       | <b>7,673,719</b> | <b>30,098,044</b> |
| <b>Current liabilities</b>                      |       |                  |                   |
| Amounts due to group companies                  | 11    | 22,062           | 689,214           |
| Current tax liabilities                         |       | -                | 139,828           |
| Accruals, deferred income and other liabilities | 12    | 20,000           | 20,000            |
| Provision for liabilities                       | 13    | 5,133,101        | 8,321,174         |
|   |       | <b>5,175,163</b> | <b>9,170,216</b>  |
| <b>Non-current liabilities</b>                  |       |                  |                   |
| Deferred tax liabilities                        | 6     | 12,353           | 20,701            |
| <b>Total liabilities</b>                        |       | <b>5,187,516</b> | <b>20,701</b>     |
| <b>Equity</b>                                   |       |                  |                   |
| Share capital                                   | 14    | 2                | 2                 |
| Profit and loss account                         |       | 2,486,201        | 20,907,125        |
| <b>Total equity</b>                             |       | <b>2,486,203</b> | <b>20,907,127</b> |
| <b>Total liabilities and equity</b>             |       | <b>7,673,719</b> | <b>30,098,044</b> |

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

The financial statements were approved by the Board of Directors on 5<sup>th</sup> August 2021 and signed on its behalf by:

*Robert Guy Mason*  
 ROBERT GUY MASON (Aug 5, 2021 11:02 GMT+1)

R G Mason  
 Director

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2020

|  | Notes | Share<br>capital<br>£ | FVOCI<br>£ | Profit and<br>loss<br>account<br>£ | Total<br>£   |
|--|-------|-----------------------|------------|------------------------------------|--------------|
| <b>At 1 January 2019</b>                     |       | 2                     | 198,760    | 20,412,095                         | 20,610,857   |
| Profit for the year                          |       | -                     | -          | 77,086                             | 77,086       |
| Realised gain on disposals of<br>investments |       | -                     | 219,184    | -                                  | 219,184      |
| Transfer to profit and loss account          |       | -                     | (417,944)  | 417,944                            | -            |
| <b>At 31 December 2019</b>                   |       | 2                     | -          | 20,907,125                         | 20,907,127   |
| Profit for the year                          |       | -                     | -          | 14,579,076                         | 14,579,076   |
| Dividends paid                               | 7     | -                     | -          | (33,000,000)                       | (33,000,000) |
| <b>At 31 December 2020</b>                   |       | 2                     | -          | 2,486,201                          | 2,486,203    |

Total comprehensive income for the year of £14,579,076 (2019: £77,086) was wholly attributable to the equity holders 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 financial statements

These financial statements are prepared:

- on a going concern basis which were assessed over 12 months from the date of their approval.

In the first quarter of 2020, the World Health Organisation declared the Covid-19 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 Holdings 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.

Management continue to monitor further impacts on profitability, assets, operations, liquidity however, at this stage do not consider there to be any additional material issues for the Company.

In assessing going concern, a Covid-19 impact analysis was performed across the NatWest Group. The directors have also considered the uncertainties associated with Covid-19 including the different ways in which this could impact the cash flows, capital, solvency and liquidity position of the Company and any mitigations management have within their control to implement. Based on this assessment, 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.

- under Financial Reporting Standard (FRS) 101 *Reduced Disclosure Framework* and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- on the historical cost basis except for investment carried at fair value.

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 incorporated in the UK and registered in Scotland and the financial statements are presented:

- in accordance with the Companies Act 2006;
- in sterling which is the functional currency of the Company; 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;
  - certain disclosures from IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases"; and
  - disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" IFRS 13 "Fair value Measurement".

Where required, equivalent disclosures are given in the group accounts of NatWest Group plc. These financial statements are available to the public and can be obtained as set out in note 17.

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

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****b) Consolidated financial statement**

The financial statements contain information about SIG 1 Holdings Limited 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 as in accordance with IFRS 10 the Company and its subsidiaries are included by full consolidation in the IFRS consolidated financial statements of its parent, NatWest Group plc, a public company registered in Scotland whose registered address is 36 St Andrew Square, Edinburgh, EH2 2YB.

**c) Revenue recognition**

Revenue is recognised upon transfer of control of promised services to customers i.e. when (or as) a performance obligation is satisfied. In an amount that reflects consideration to which the company is entitled in exchange for those services.

Dividends are recognised as operating income in the statement of profit or loss when the right of payments has been established.

Interest income or expense relates to financial instruments measured at amortised cost and debt instruments classified as fair value through OCI using the effective interest rate method, the effective part of any related accounting hedging instruments and finance lease income recognised at a constant periodic rate of return before tax on the net investment. Negative effective interest accruing to financial assets is presented in interest payable.

Other interest relating to financial instruments measured at fair value is recognised as part of the movement in fair value.

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 the service is rendered. The price is usually fixed and always determinable.

**d) Taxation**

Income tax expense or income, 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 year 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 payable or 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.

**e) Investments in Group companies**

Investments in Group companies are stated at cost less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS****1. Accounting policies (continued)****f) 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 as amortised cost, are recognised on the settlement date; all other regular way transactions in financial assets are recognised on the trade date.

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

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

Most financial assets are held to collect the contractual cash flows that comprise solely payments of principal and interest and are measured at amortised cost. Certain financial assets managed under a business model of both to collect contractual cash flows comprising solely of payments of principal and interest, and to sell, are measured at fair value through other comprehensive income ('FVOCI').

**g) 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, issued financial guarantee and loan commitment 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, otherwise allowances are based on lifetime expected losses.

Expected credit losses 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.

**h) 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.

**i) Cash at bank**

Cash at bank comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

**j) 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.



## NOTES TO THE 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. 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 are discussed below.

**Investment in Group companies**

The Company has reviewed the carrying value of investments in Group companies and concluded that there are no impairments required.

**Provision for liabilities**

Provisions are liabilities of uncertain timing or amount and are recognised when there is a present obligation as a result of a past event, the outflow of economic benefit is probable and the outflow can be estimated reliably. Any difference between the final outcome and the amounts provided will affect the reported results in the period when the matter is resolved.

## 3. Operating income

|  | 2020<br>£         | 2019<br>£      |
|--|-------------------|----------------|
| Dividends from group companies           | 11,400,000        | -              |
| Other dividends                          | -                 | 212,486        |
| Realised loss on disposal of investments | -                 | (151,696)      |
| Deferred interest                        | -                 | 104,000        |
| Unrealised (loss)/gain on investments    | (56,755)          | 893            |
|  | <b>11,343,245</b> | <b>165,683</b> |

## 4. Operating expenses

|                             | 2020<br>£     | 2019<br>£     |
|-----------------------------|---------------|---------------|
| Legal and professional fees | 20,000        | 16,124        |
| Management charges          | -             | 5,000         |
| Other operating expenses    | 194           | 722           |
|                             | <b>20,194</b> | <b>21,846</b> |

The auditor's remuneration for statutory audit work for the Company was £20,000 (2019: £22,062).

## 5. SME provision release

|                       | 2020<br>£        | 2019<br>£ |
|-----------------------|------------------|-----------|
| SME provision release | <b>3,188,073</b> | -         |

**Note:**

The provision was established in November 2016 and relates to the FCA review of NatWest Group's treatment of SME customers. This is comprised of the automatic refund of complex fees for SME customers that were in GRG between 2008 and 2013 and the additional estimated redress costs arising from the complaints process. There has been a release of £3.2m from the provision in the current year (2019: nil).

## NOTES TO THE FINANCIAL STATEMENTS

## 6. Tax

|   | 2020<br>£       | 2019<br>£      |
|---|-----------------|----------------|
| <b>Current taxation:</b>                        |                 |                |
| UK corporation tax charge/(credit) for the year | (3,837)         | 142,032        |
| Adjustments in respect of prior periods         | (55,767)        | (2,203)        |
|   | <b>(59,604)</b> | <b>139,829</b> |
| <b>Deferred taxation:</b>                       |                 |                |
| Credit for the year                             | (8,348)         | (73,078)       |
| <b>Tax (credit)/charge for the year</b>         | <b>(67,952)</b> | <b>66,751</b>  |

The actual tax (credit)/charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax rate of 19% (2019: 19%) as follows:

|   | 2020<br>£       | 2019<br>£     |
|---|-----------------|---------------|
| Expected tax charge   | 2,757,114       | 27,329        |
| Non-deductible items  | -               | 84,433        |
| Non taxable items   | (2,771,734)     | (40,373)      |
| Movement in deferred tax following change in rate of UK corporation tax | 2,435           | (2,435)       |
| Adjustments in respect of prior periods                                 | (55,767)        | (2,203)       |
| <b>Actual tax (credit)/charge for the year</b>                          | <b>(67,952)</b> | <b>66,751</b> |

In the current period the substantively enacted tax rate applicable from 1 April 2020 was increased from 17% to 19%. The closing deferred tax assets and liabilities have been calculated at 19% and accordingly a rate change adjustment has arisen as the opening deferred tax had been calculated taking into account the previously enacted rate of 17%.

Since the balance sheet date, it was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021. As a result, existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 19%/25% rates. 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 liabilities recognised by the Company, and the movements thereon.

|                                   | 2020<br>£     | 2019<br>£     |
|-----------------------------------|---------------|---------------|
| <b>At 1 January</b>               | <b>20,701</b> | <b>93,779</b> |
| Credit to Profit and Loss Account | (8,348)       | (73,078)      |
| <b>At 31 December</b>             | <b>12,353</b> | <b>20,701</b> |

## 7. Ordinary Dividends

|                | 2020<br>£'000 | 2019<br>£'000 |
|----------------|---------------|---------------|
| Dividends Paid | 33,000        | -             |

Dividends of £33,000,000 was approved and paid during the year to RBS AA Holdings (2019: £nil).

## NOTES TO THE FINANCIAL STATEMENTS

## 8. Investments in group companies

Investment in group companies is carried at cost less impairment. There were no movements during the year.

|                              | 2020<br>£ | 2019<br>£ |
|------------------------------|-----------|-----------|
| At 1 January and 31 December | 1         | 1         |

The subsidiary companies of the Company is shown below. The capital consists of ordinary shares.

| Name of subsidiary   | Country of<br>incorporation<br>and<br>Operation | Proportion of<br>ownership<br>interest<br>% | Proportion of<br>voting power<br>held<br>% | Principal<br>activity     |
|--|---|---|--|---------------------------|
| SIG Number 2 Limited   | United Kingdom                                  | 100   | 100  | Holding of<br>investments |
| The registered office of SIG Number 2 Limited is RBS Gogarburn, 175 Glasgow Road, Edinburgh, Scotland, EH12 1HQ. |   |   |  |                           |

## 9. Investments - designated as at fair value

|                      | 2020<br>£ | 2019<br>£ |
|----------------------|-----------|-----------|
| At 1 January         | 121,772   | 493,576   |
| Fair value movements | (56,755)  | (150,803) |
| Disposals            | -         | (221,001) |
| At 31 December       | 65,017    | 121,772   |
| Current              | 65,017    | 121,772   |

## 10. Trade and other receivables

|                   | 2020<br>£ | 2019<br>£ |
|-------------------|-----------|-----------|
| Trade receivables | 16,994    | 17,079    |

## 11. Amounts due to group companies

|                           | 2020<br>£ | 2019<br>£ |
|---------------------------|-----------|-----------|
| Other fellow subsidiaries | -         | 689,214   |
| NatWest Group plc         | 22,062    | -         |
|                           | 22,062    | 689,214   |

## 12. Accruals, deferred income and other liabilities

|                                | 2020<br>£ | 2019<br>£ |
|--------------------------------|-----------|-----------|
| Accruals and other liabilities | 20,000    | 20,000    |

## NOTES TO THE FINANCIAL STATEMENTS

## 13. Provisions for liabilities

|  | 2020             | 2019             |
|--|------------------|------------------|
|  | £                | £                |
| Provision for small and medium enterprises | <b>5,133,101</b> | <b>8,321,174</b> |

The provision was established in November 2016 and relates to the FCA review of NatWest Group's treatment of SME customers. This is comprised of the automatic refund of complex fees for SME customers that were in GRG between 2008 and 2013 and the additional estimated redress costs arising from the complaints process. There has been a release of £3.2m from the provision in the current year (2019: nil).

## 14. Share capital

|                                     | 2020         | 2019         |
|-------------------------------------|--------------|--------------|
|                                     | £            | £            |
| Authorised:                         |              |              |
| 1,000 ordinary shares of £1 each    | <b>1,000</b> | <b>1,000</b> |
| Allotted, called up and fully paid: |              |              |
| 2 ordinary shares of £1 each        | <b>2</b>     | <b>2</b>     |

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

## 15. Capital resources

The Company's capital consists of equity comprising issued share capital, retained earnings, loans from Group companies and subordinated loans. The Company is a member of NatWest group of companies which has regulatory disciplines over the use of capital. In the management of capital resources, the Company is governed by NatWest Group's policy which is to maintain a strong capital base: it is not separately regulated. The group has complied with the Prudential Regulation Authority's capital requirements throughout the year.

## 16. Memorandum item

**FCA review of the NatWest Group's treatment of SMEs**

In November 2013, Business Innovation and Skills published the Tomlinson report which was critical of the NatWest Group's treatment of SMEs. Subsequently the FCA appointed a Skilled Person to report separately to it on the matter.

The NatWest Group announced steps that will impact SME customers held in GRG between 2008 and 2013. These steps are (i) an automatic refund of certain complex fees; and (ii) a new complaints process, overseen by an Independent Third Party.

These steps have been developed with the involvement of the FCA which agreed that they are appropriate for the NatWest Group to take.

The Company initially estimated the costs associated with the new complaints review process and the automatic refund of complex fees to be approximately £41m which had been recognised as a provision in 2016. This includes costs of refunded complex fees and the additional estimated redress costs arising from the new complaints process. There has been a release of £3.2m from the provision in the current year (2019: nil).

In July 2018, the FCA confirmed that it had concluded its investigation and that it did not intend to take disciplinary or prohibitory action against any person in relation to these matters. On 13 June 2019, the FCA published a full report explaining how it had reached that conclusion.

## NOTES TO THE FINANCIAL STATEMENTS

## 17. Related parties

**UK Government**

The UK Government through HM Treasury is the ultimate controlling party of NatWest 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 UK corporation tax and Value Added Tax. Cash at bank relates to amounts with a group bank and other balances due to group companies are shown in Note 11.

**Group companies**

At 31 December 2020

|  |                              |
|--|------------------------------|
| The Company's immediate parent was:  | RBS AA Holdings (UK) Limited |
| The smallest consolidated accounts including the company were prepared by: | NatWest Group plc            |
| The ultimate parent company was:   |                              |

All parent companies are incorporated in the UK. Copies of their accounts may be requested from Legal, Governance and Regulatory Affairs, NatWest Group plc, Gogarburn, PO Box 1000, Edinburgh EH12 1HQ.