

NATWEST MARKETS SECURED FUNDING DESIGNATED ACTIVITY COMPANY

Directors' report and audited financial statements

For the financial year ended 31 December 2019

Registered number: 462007

NATWEST MARKETS SECURED FUNDING DESIGNATED ACTIVITY COMPANY

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Directors and other information

Directors	Eimir McGrath (Irish) Shengjie Xu (Irish)
Registered Office	Block A George's Quay Plaza George's Quay Dublin 2 Ireland
Administrator and Company Secretary	Vistra Alternative Investments (Ireland) Limited Block A George's Quay Plaza George's Quay Dublin 2 Ireland
Arranger	NatWest Markets Plc 135 Bishopsgate London EC2M 3UR United Kingdom
Trustee	Deutsche Trustee Company Limited Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Paying Agent, Custodian & Banker	Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB United Kingdom
Independent Auditor	Deloitte Ireland LLP Chartered Accountants and Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
Legal advisor	A&L Goodbody International Financial Services Centre North Wall Quay Dublin 1 Ireland

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Directors' report

The directors present the Directors' report and audited financial statements of NatWest Markets Secured Funding Designated Activity Company (the "Company") for the financial year ended 31 December 2019.

Principal activities

The Company is a private Company with limited liability incorporated in Ireland on 11 September 2008, registered number 462007. On 19 January 2018, the Company changed its name to Cesium Structured Funding Designated Activity Company. On 23 January 2018, the Company further changed its name to NatWest Markets Secured Funding Designated Activity Company. The Company is arranged by NatWest Markets Plc (the "Arranger") and has been established as a special purpose vehicle ("SPV") for the purpose of issuing limited recourse asset backed securities.

The Company has the corporate power and capacity to issue notes (the "Notes") up to EUR 15,000,000,000, to acquire the underlying assets and to enter into and perform the agreements to which it is or may become party as described in the programme memorandum (the "Programme Memorandum").

Series 2018-1 is listed on the Global Exchange Market of the Irish Stock Exchange Plc (now trading as Euronext Dublin) ("ISE"). Series 2018-2 is listed on the Cayman Islands Stock Exchange.

Business review – Key performance indicators

During the financial year ended 31 December 2019:

- the Company made a profit before tax of EUR Nil (2018: EUR 1,000); and
- the following Series of Notes were partially redeemed:

Series	CCY	Nominal Amount	Description
S2018-1	GBP	1,454,970	Series 2018-1 Notes due 2021
S2018-2	EUR	11,525,225	Series 2018-2 Notes due 2020

As at 31 December 2019:

- the net assets of the Company were EUR 3,250 (2018: EUR 3,250); and
- the Company had the following Series of Notes in issue:

Series	Description	Maturity date	CCY	Nominal
2018-1	Series 2018-1 Notes	09-Apr-21	GBP	242,094,480
2018-2	Series 2018-2 Notes	03-Dec-20	EUR	118,770,478

Pass-through Notes

As at 31 December 2019, the guidance of IAS 39 for appropriate treatment of pass-through transactions has been applied. IAS 39 proposes three conditions that must be met for treating a contractual arrangement as a pass-through transaction:

- the entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. However, the entity is allowed to make short-term advances to the eventual recipient so long as it has the right of full recovery of the amount lent plus accrued interest;
- the entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- the entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, during the short settlement period, the entity is not entitled to reinvest such cash flows except for investments in cash or cash equivalents and where any interest earned from such investments is remitted to the eventual recipients.

Series 2018-1

On 5 April 2018, the Company has issued pass-through Series 2018-1 GBP 245,436,196 Notes due 2021. The proceeds from the issue of the Notes have been applied towards the advance of the Repackaged Loan to HSH Nordbank AG (the "Borrower") under the Repackaged Loan Agreement. Any interest income received on the investment securities are transferred to the noteholders (the "Noteholders") as interest expense on the Notes. The investment securities can only be sold during the life of the transaction based on pre-determined contractually agreed events and the sale proceeds will be used to redeem the Notes without any material delay.

After considering the above conditions of IAS 39, the directors concluded that Series 2018-1 Notes did not meet the recognition criteria since inception and fully meets the conditions mentioned in IAS 39 for pass-through transactions. The nominal of the Notes issued amounting to GBP 245,436,196 have accordingly not been recognised for that particular Series in the financial statements for the year ended 31 December 2019. The corresponding loan investment has also not been recognised in the financial statements for the year ended 31 December 2019.

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Directors' Report (continued)**Series 2018-1 (continued)**

As at 31 December 2019, the outstanding amount for the Series 2018-1 Notes were GBP 242,094,480 (2018: GBP 243,549,450) and the corresponding loan investment amounted to GBP 242,094,480 (2018: GBP 243,549,450).

Interest receivable on the investment amounted to EUR 738,578 (2018: EUR 732,767) and interest payable on the Notes EUR 738,578 (2018: EUR 732,767). The Company received interest income amounting to EUR 5,776,336 (2018: EUR 3,279,226) during the financial year and paid out interest expenses under Series 2018-1 Notes EUR 5,776,336 (2018: EUR 3,273,841).

Series 2018-2

On 30 November 2018, the Company issued pass-through Series 2018-2 EUR 131,000,000 Notes due 2020. The proceeds from the issue of the Notes have been applied towards the advance of the Repackaged Loan to D2 Europe I S.à r.l. (the "Borrower") under the Repackaged Loan Agreement. Any interest income received on the investment securities are transferred to the Noteholders as interest expense on the Notes. The investment securities can only be sold during the life of the transaction based on pre-determined contractually agreed events and the sale proceeds will be used to redeem the Notes without any material delay.

After considering the above conditions of IAS 39, the directors concluded that Series 2018-2 Notes did not meet the recognition criteria since inception and fully meets the conditions mentioned in IAS 39 for pass-through transactions. The nominal of the Notes issued amounting to EUR 131,000,000 have accordingly not been recognised for that particular Series in the financial statements for the year ended 31 December 2019. The corresponding loan investment has also not been recognised in the financial statements for the year ended 31 December 2019.

As at 31 December 2019, the outstanding amount for the Series 2018-2 Notes EUR 118,770,478 (2018: EUR 130,295,703) and the corresponding loan investment amounted to EUR 118,770,478 (2018: EUR 130,295,703).

Interest receivable on the investment amounted to EUR 40,464 (2018: EUR 47,815) and interest payable on the Notes EUR 40,464 (2018: EUR 47,815). The Company received interest income amounting to EUR 1,481,769 (2018: EUR 87,479) during the financial year and paid out interest expenses under Series 2018-2 Notes EUR 1,481,769 (2018: EUR 87,479).

Future developments and going concern

The Company's Notes comprise of Series 2018-1 Notes and Series 2018-2 Notes. Series 2018-1 Notes have a maturity date of 2021 and Series 2018-2 Notes have a maturity date of 2020. The directors expect that the present level of activity will be sustained for the foreseeable future. The board of directors (the "Board") will continue to seek new opportunities for the Company and will continue to manage the current portfolio of the Company. Therefore the financial statements for the financial year ended 31 December 2019 have been prepared on a going concern basis.

Principal risks and uncertainties

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. As the pandemic evolves, it will be expected that many areas may detect imported cases and local transmission of COVID-19. As of now, COVID-19 has since spread to over 210 countries worldwide and on March 11, 2020 the World Health Organization ("WHO") declared COVID-19 a pandemic.

The spread of the COVID-19 outbreak has caused severe disruptions in the Irish and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Many countries, including Ireland, have reacted by instituting quarantines, mandating business and school closures and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession.

The directors considered the impact that COVID-19 may have over the going concern assumption of the Company. The limited recourse nature of the securities issued by the Company limit the investor's recourse only up to the underlying net assets of that particular debt securities issued. The investors have no right to petition for insolvency proceedings against the Company in the event that the underlying assets are insufficient to repay the principal amount of the debt securities issued. Also, as per agreement, NatWest Markets Plc, as the Arranger has agreed to reimburse the Company against any costs, fees, expense or out-goings incurred.

The Company is subject to various other risks. The key risks facing the Company are outlined in note 12 to the financial statements.

Results and dividends for the financial year

The results for the financial year are set out in the Statement of comprehensive income on page 12. No dividends are recommended by the directors (2018: EUR Nil).

Change in directors, secretary and registered office during the financial year

There were no changes in directors, secretary and registered office during the financial year.

Directors, secretary and their interests

None of the directors and secretary who held office on 1 January 2019 and 31 December 2019 held any shares in the Company at that date or during the financial year.

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Directors' Report (continued)**Accounting records**

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 as amended (the "Act") with regards to keeping adequate accounting records by employing accounting personnel with appropriate experience and expertise and by providing services to the financial function. The accounting records of the Company are maintained at Block A, George's Quay Plaza, George's Quay, Dublin 2, Ireland.

Corporate Governance Statement*Introduction*

The Company is subject to and complies with Irish Statute comprising the Act and the Listing rules of the ISE and Cayman Islands Stock Exchange. The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

Financial Reporting Process

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the administrator Vistra Alternative Investments (Ireland) Limited (the "Administrator") to maintain the accounting records of the Company independently of the Arranger, Deutsche Bank AG, London Branch (the "Custodian") and Deutsche Trustee Company Limited (the "Trustee"). The Administrator is contractually obliged to maintain proper books and records as required by the corporate administration agreement. To that end the Administrator performs reconciliations of its records to those of the Arranger and the Custodian. The Administrator is also contractually obliged to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view. Listed debt SPVs prepare annual financial statements which would have been reviewed by the Board before approving these.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time, the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator's report to the Board.

Risk Assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements. More specifically:

- the Administrator has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected.
- regular training on accounting rules and recommendations is provided to the accountants employed by the Administrator.

Control Activities

The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

Monitoring

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

Capital Structure

The principal shareholder in the Company is Vistra Capital Markets (Ireland) Limited ("VCMIL") (the "Share Trustees") holding 1,000 shares. The Share Trustees hold the issued shares of the Company in trust for charity. Other than that, no person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital.

The directors confirm that Share Trustees have entered into a share trust agreement whereby they have agreed not to exercise their voting rights.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, Irish Statute comprising the Act and the Listing Rules of the ISE and Cayman Islands Stock Exchange. The Articles of Association themselves may be amended by special resolution of the shareholders.

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Directors' Report (continued)**Corporate Governance Statement (continued)***Powers of directors*

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The directors may delegate certain functions to the Administrator and other parties, subject to the supervision and direction by the directors. The directors have delegated the day to day administration of the Company to the Administrator.

Audit Committee

As at the date of these financial statements, the Company is operating within the balance sheet and turnover threshold limits as set out under Section 167(1) of the Act, and as such the Company does not meet the requirements to establish an audit committee for the current financial year ending 31 December 2019.

Subsequent events

Subsequent events have been disclosed in note 15 to the financial statements.

Independent auditor

In accordance with Section 383(2) of the Act, Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm has expressed their willingness to continue in office.

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

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

Political donations

The Electoral Act, 1997 (as amended by the Electoral Amendment Political Funding Act, 2012) requires companies to disclose all political donations over EUR 200 in aggregate made during a financial year. The directors, on enquiry, have satisfied themselves that no such donations in excess of this amount have been made by the Company during the financial year to 31 December 2019.

Directors' compliance statement

At this present time the Company is operating within the balance sheet and turnover threshold limits as set out under Section 225 (7) of the Act, which enables the Company to avail of an exemption to the Compliance Policy Statement obligations. Accordingly the directors are not required to include a Compliance Statement in their statutory Directors' report for the current financial year ending 31 December 2019.

On behalf of the Board

DocuSigned by:

EAB12D731F8A44C...
Eimir McGrath
Director

DocuSigned by:

768E8583244844D...
Shengjie Xu
Director

Date: Jul-03-2020

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Directors' responsibilities statement

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

Irish Company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the reporting date and of the profit or loss of the Company for the financial year and otherwise comply with the Act.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Act and enable the financial statements to be audited. 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATWEST MARKETS SECURED FUNDING DESIGNATED ACTIVITY COMPANY

Report on the audit of the financial statements

Opinion on the financial statements of NatWest Markets Secured Funding Designated Activity Company (the 'company')

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2019, and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 16, including a summary of significant accounting policies as set out in note 3.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council ("the relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below 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 Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current financial year were: <ul style="list-style-type: none"> • <i>Derecognition of the Passthrough Debt Securities</i>
Materiality	The materiality that we used in the current financial period was 2% of the passthrough debt securities
Scoping	We focused our audit scope, and the extent of our testing, based on our assessment of the risks of material misstatement and of the materiality determined.
Significant changes in our approach	We have been auditor of the company for a number of years. There were no changes in our approach from the prior years.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Derecognition of Passthrough Debt Securities

Key audit matter description



For the financial year ended 31 December 2019 the Company had issued two passthrough series which did not meet the recognition criteria of IAS 39, as elected under FRS 102, since inception. The debt securities and related investments for this series have been derecognised from the financial statements.

The derecognition of such passthrough debt securities is considered a key audit matter as the derecognition of the series debt securities and investments requires considerable management judgement. The derecognition of the passthrough debt securities impacts the statement of financial position and the statement of comprehensive income with related income and expenses also not recognised. The derecognition has been identified as a significant risk of material misstatement, the risk being that they may not be classified correctly in accordance with the financial reporting framework.

Refer also to note 2 and 12 in the financial statements.

How the scope of our audit responded to the key audit matter



We obtained an understanding and assessed the design and implementation of the key controls that have been implemented over the derecognition process of passthrough debt securities.

We challenged whether the derecognition policy adopted for the passthrough debt securities is in line with IAS 39, as elected under FRS 102, and considered the appropriateness of the management judgement in the assessment. We reviewed the series documentation in considering the appropriateness of the derecognition of the debt securities. We assessed the disclosure of the passthrough series of debt securities for compliance with financial reporting standards.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the company to be €8,047,000 or 2% of the value of the passthrough debt securities at year end. We have considered total assets to be the critical component for determining materiality because the main objective of the company is to provide investors with a long term risk adjusted return. We have considered quantitative and qualitative factors such as understanding the company and its environment, complexity of the company and the reliability of control environment.

We agreed with the Board of Directors (the "Board") that we would report to the Board any audit differences in excess of 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Board on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit is a risk based approach taking into account the structure of the company, types of financial assets, the involvement of the third party service providers, the accounting processes and controls in place, and the industry in which the company operates.

We have conducted our audit based on the books and records maintained by the corporate administrator, Vistra Alternative Investments (Ireland) Limited. We focused our audit scope, and the extent of our testing, based on our assessment of the risks of material misstatement and of the materiality determined. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Audited Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, 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 (Ireland) 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.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the company's shareholders, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Corporate Governance Statement

We report, in relation to information given in the Corporate Governance Statement on pages 3 to 4 that:

- In our opinion, based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) and (d) of section 1373 Companies Act 2014 is consistent with the company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with the Companies Act 2014.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.

Matters on which we are required to report by exception

Based on 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 provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.



Sinead Moore
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 03 July 2020

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Statement of comprehensive income**For the financial year ended 31 December 2019**

	Notes	Financial year ended 31-Dec-19 EUR	Financial year ended 31-Dec-18 EUR
Other income	4	-	1,000
Other expenses	5	-	-
Result before taxation		-	1,000
Taxation	6	-	(250)
Result for the financial year		-	750
Other comprehensive income		-	-
Total comprehensive income for the financial year		-	750

The notes on pages 16 to 21 form part of these financial statements.

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Statement of financial position

As at 31 December 2019

	Notes	31-Dec-19 EUR	31-Dec-18 EUR
Assets			
Cash and cash equivalents	7	272	272
Debtors	8	3,478	3,228
Total assets		<u>3,750</u>	<u>3,500</u>
Liabilities and equity			
Liabilities			
Other payables	9	500	250
Total liabilities		<u>500</u>	<u>250</u>
Equity			
Called up share capital presented as equity	10	1,000	1,000
Retained earnings		2,250	2,250
Total equity		<u>3,250</u>	<u>3,250</u>
Total liabilities and equity		<u>3,750</u>	<u>3,500</u>

On behalf of the Board:

DocuSigned by:

 FAB12D731F8A44C...
Eimir McGrath
 Director

DocuSigned by:

 768E8563244844D...
Shengjie Xu
 Director

Date: Jul-03-2020

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Statement of changes in equity**As at 31 December 2019**

	Share capital EUR	Retained earnings EUR	Total equity EUR
Balance as at 1 January 2018	1,000	1,500	2,500
<i>Total comprehensive income for the financial year</i>			
Net profit or loss	-	750	750
Other comprehensive income	-	-	-
Total comprehensive income for the financial year	-	750	750
Balance as at 31 December 2018	1,000	2,250	3,250
Balance as at 1 January 2019	1,000	2,250	3,250
<i>Total comprehensive income for the financial year</i>			
Net profit or loss	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the financial year	-	-	-
Balance as at 31 December 2019	1,000	2,250	3,250

The notes on pages 16 to 21 form part of these financial statements.

NATWEST MARKETS SECURED FUNDING DESIGNATED ACTIVITY COMPANY

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Statement of cash flows**For the financial year ended 31 December 2019**

	31-Dec-19	31-Dec-18
	EUR	EUR
Cash flows from operating activities		
Profit on ordinary activities before taxation	-	1,000
<i>Movements in working capital:</i>		
Increase in other debtors	(250)	(1,000)
Increase in other payables	250	-
	<hr/>	<hr/>
Net cash used in operating activities	-	-
	<hr/>	<hr/>
Decrease in cash and cash equivalents	-	-
Cash and cash equivalents at start of the financial year	272	272
	<hr/>	<hr/>
Cash and cash equivalents at end of the financial year	272	272
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 16 to 21 form part of these financial statements.

NATWEST MARKETS SECURED FUNDING DESIGNATED ACTIVITY COMPANY

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Notes to the financial statements**For the financial year ended 31 December 2019****1. General information**

The Company is a private Company with limited liability incorporated in Ireland on 11 September 2008, registered number 462007. On 19 January 2018, the Company changed its name to Cesium Structured Funding Designated Activity Company. On 23 January 2018, the Company further changed its name to NatWest Markets Secured Funding Designated Activity Company. The Company is established as a SPV for the purpose of issuing limited recourse asset backed securities.

The Company has the corporate power and capacity to issue Notes up to EUR 15,000,000,000, to acquire the underlying assets and to enter into and perform the agreements to which it is or may become party as described in the Programme Memorandum.

2. Basis of preparation**(a) Statement of compliance**

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' and Irish Statute comprising the Act. The Company has opted to apply the recognition and measurement provisions of IAS 39 - Financial Instruments: Recognition and Measurement. The response to the impact of COVID-19 is set out in the Principal risks and uncertainties section of the Director's report.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing these financial statements.

(b) Basis of measurement

The Company financial statements have been prepared on a historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Euro ("EUR") which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The share capital and the Programme has been issued in EUR and the directors of the Company believe that EUR most faithfully represents the economic effects of the underlying transactions, events and conditions.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with accounting standards generally accepted in Ireland requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Derecognition of financial asset under IAS 39

The derecognition of financial asset under IAS 39 for appropriate treatment of pass-through transactions has been applied. Series 2018-1 and Series 2018-2 have met the conditions for treating a contractual arrangement as a pass-through transaction. The conditions are further described in note 3(d).

(e) Changes to accounting policies

There has been no changes to the reported financial position or financial performance compared to that presented previously.

3. Significant accounting policies**(a) Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year as calculated in accordance with Irish Tax Laws. Taxable profit may differ from profit before tax as reported in the Statement of comprehensive income because it excludes items of income or expense that are not taxable or deductible. The Company's liability for current tax is calculated using the tax rate that has been enacted or substantively enacted by the reporting date.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash held at banks which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short term commitments.

NATWEST MARKETS SECURED FUNDING DESIGNATED ACTIVITY COMPANY

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Notes to the financial statements (continued)

For the financial year ended 31 December 2019

3. Significant accounting policies (continued)

(c) Debtors

Debtors comprise mainly of unpaid share capital and corporate benefit and funds receivable from the Arranger. These have been reviewed for any evidence of impairment.

(d) Derecognition of financial asset under IAS 39

As at 31 December 2019, the guidance of IAS 39 for appropriate treatment of pass-through transactions has been applied. IAS 39 proposes three conditions that must be met for treating a contractual arrangement as a pass-through transaction:

- the entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. However, the entity is allowed to make short-term advances to the eventual recipient so long as it has the right of full recovery of the amount lent plus accrued interest;
- the entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- the entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, during the short settlement period, the entity is not entitled to reinvest such cash flows except for investments in cash or cash equivalents and where any interest earned from such investments is remitted to the eventual recipients.

(e) Other income and other expenses

Other income were Nil (2018: EUR 1,000) and expenses are accounted for on an accruals basis.

(f) Share capital

Share capital is issued in Euro (EUR). Dividends are recognised as a liability in the period in which they are approved. As at 31 December 2019, no dividend was paid.

4. Other income

	Financial year ended 31-Dec-19 EUR	Financial year ended 31-Dec-18 EUR
Corporate Benefit	-	1,000
Arranger income	-	-
	-	1,000

5. Other expenses

	Financial year ended 31-Dec-19 EUR	Financial year ended 31-Dec-18 EUR
Bank Charges	-	-
VAT	-	-
	-	-

	Financial year ended 31-Dec-19 EUR	Financial year ended 31-Dec-18 EUR
Auditor's remuneration in respect of the year (excluding VAT):		
Audit of financial statements	12,000	12,000
Other assurance services	-	-
Tax advisory services	4,000	4,000
Other non-audit services	-	-
	16,000	16,000

All costs associated within the Company are borne directly by the Arranger as per the Series Expense letter. Therefore, the Company did not recognise any income or expenditure due to the pass-through nature of the Notes.

NATWEST MARKETS SECURED FUNDING DESIGNATED ACTIVITY COMPANY

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Notes to the financial statements (continued)

For the financial year ended 31 December 2019

6. Taxation

Corporation tax has been calculated based on the results for the financial year and the resulting taxation charge is as follows:

	Financial year ended 31-Dec-19 EUR	Financial year ended 31-Dec-18 EUR
Result before taxation	-	1,000
Current tax at 25%	-	(250)
Current tax charge	-	(250)

The Company is charged corporation tax at a rate of 25% (2018: 25%). The Company will continue to be taxed at 25% (2018: 25%) in accordance with Section 110 of the Taxes Consolidation Act 1997.

7. Cash and cash equivalents

	31-Dec-19 EUR	31-Dec-18 EUR
Cash at bank and on hand	272	272

As at 31 December 2019:

- the Company had cash at bank amounting to EUR 1,995 (2018: EUR 1,461) in relation to the pass-through Series 2018-1; and
- the Company held bank accounts with Deutsche Bank AG, London Branch.

8. Debtors

	31-Dec-19 EUR	31-Dec-18 EUR
Funds receivable from Arranger	1,228	1,228
Corporate benefit receivable	1,000	1,000
Unpaid share capital	1,000	1,000
Preliminary Tax receivable	250	-
	<u>3,478</u>	<u>3,228</u>

9. Other payables

	31-Dec-19 EUR	31-Dec-18 EUR
Corporation tax payable	250	250
Preliminary tax	250	-
	<u>500</u>	<u>250</u>

10. Called up share capital presented as equity

Authorised:

	31-Dec-19 EUR	31-Dec-18 EUR
1,000 ordinary shares of EUR 1 each	1,000	1,000

Issued and unpaid:

1,000 ordinary shares of EUR 1 each	1,000	1,000
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Presented as follows:

Called up share capital presented as equity	1,000	1,000
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11. Ownership of the Company

The issued shares are held in trust by VCML. Refer to the Directors' report for further details. The Share Trustees hold the issued shares of the Company in trust for charity.

The Share Trustees have appointed a Board to run the day to day activities of the Company. The Board have considered the issue as to who is the ultimate Controlling Party. It has been determined that the control of the day to day activities of the Company rests with the Board. The Board consists of two independent directors.

12. Financial risk management

Introduction and overview

The Company has the capacity to issue Notes up to EUR 15,000,000,000 to acquire the underlying assets and to enter into and perform the agreements to which it is or may become party as described in the Programme Memorandum.

The net proceeds of each Series will be used by the Company to purchase the collateral and in meeting certain expenses and fees payable in connection with the operations of the Company and the issue of the Notes as set out in the relevant offering circular supplement relating to such Series.

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Notes to the financial statements (continued)**For the financial year ended 31 December 2019****12. Financial risk management (continued)***Introduction and overview (continued)*

The Company was set up as a segregated multi issuance SPV which ensures that if one Series defaults, the holders of that Series do not have the ability to reach other assets of the Company, resulting in the Company's bankruptcy and the default of the other Series of Notes. The segregation criteria include the following:

- the Company is a bankruptcy remote SPV, organised in Ireland;
- the Company issues separate Series of debt obligations;
- assets relating to any particular Series of debt securities are held separate and apart from the assets relating to any other Series;
- each Series of debt securities, only the trustee are entitled to exercise remedies on behalf of the debt security holders; and
- each Series of issued debt securities are reviewed by a rating agency prior to issuance regardless of whether it is to be rated or not.

The Company is not engaged in any other activities.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to the following risks from its use of financial instruments:

- operational risk;
- credit risk;
- concentration risk;
- market risk; and
- liquidity risk.

The prospectus provides detailed information to the Noteholders regarding their exposure to different risks as well as how such risks will be managed going forward until the maturity of Notes. The Board has responsibility to ensure compliance with the prospectus and execute different legal documents as the need arises.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, market and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards to corporate behaviour.

Operational risks arise from all of the Company's operations. The Company was incorporated with the purpose of engaging in those activities outlined in the preceding paragraphs. All management and administration functions are outsourced to the Administrator.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's financial assets.

The Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 31 December 2019 in relation to each class of recognised financial assets, without taking account of any credit enhancements, is the carrying amount of those assets.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was:

	31-Dec-19	31-Dec-18
	EUR	EUR
Cash at bank and on hand	272	272
Debtors	3,478	3,228
	<u>3,750</u>	<u>3,500</u>

NATWEST MARKETS SECURED FUNDING DESIGNATED ACTIVITY COMPANY

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Notes to the financial statements (continued)**For the financial year ended 31 December 2019****12. Financial risk management (continued)***Credit risk (continued)**Credit quality of financial assets**Cash and cash equivalents*

The Company held cash and cash equivalents of EUR 272 as at 31 December 2019 (2018: EUR 272), which represents its maximum credit exposure on these assets. The cash balance recognised at year end was held in the Company account with Deutsche Bank AG

Cash balances are held with Deutsche Bank AG London which has the following ratings:

	Long term	Short term	Long term	Short term
	2019	2019	2018	2018
Standard & Poor's	BBB+	A-2	BBB+	A-2
Moody's	A3	P-2	A3	P-2
Fitch	BBB+	F2	A-	F2

Concentration risk

At the reporting date, the Company's financial assets were concentrated in Series 2018-1 and Series 2018-2 loan investments in Germany and Luxembourg respectively. The loan investments are not rated. The proceeds from issuance of Series 2018-1 Notes and Series 2018-2 Notes were used to advance a loan to HSH Nordbank AG, a stock corporation based in Germany and D2 EUROPE I S.À R.L., a private limited liability company based in Luxembourg respectively (both the "Borrowers"). The Borrowers operate in the financial sector.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

Market risk embodies the potential for both gains and losses and includes currency risk, price risk and interest rate risk.

Since 2012, all outstanding loans have not been recognised in the statement of financial position of the Company. The Arranger bears all the risks and therefore the Company has no market risk in relation to these assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Since 2012, the Company did not face any liquidity risks as all the Notes and assets of the Company have not been recognised and payments on Notes exactly match receipts on loans.

13. Related party transactions

FRS 102 requires the disclosure of information relating to material transactions with parties who are deemed to be related to the reporting entity.

Transactions with Administrator

During the financial year, administration services was paid to VAILL at commercial rates. Pursuant to Section 305A(1)(a) of the Act, requires disclosure that VAILL receives EUR 1,000 (2018: EUR 1,000) included in administration fees as consideration for the making available of individuals to act as directors of the Company. The terms of the corporate services agreement in place between the Company and VAILL provide for a single fee for the provision of corporate administration services (including the making available of individuals to act as directors of the Company). As a result, the allocation of fees between the different services provided is a subjective and approximate calculation. The individuals acting as directors do not (and will not), in their personal capacity or any other capacity, receive any fee for acting or having acted as directors of the Company. For the avoidance of doubt, Shengjie Xu and Eimir McGrath do not receive any remuneration for acting as directors of the Company as they are employees of VAILL.

Transactions with Arranger

All costs associated with the Company, including the corporate administration fees provided to the Company at commercial rates, audit fees amounting to EUR 12,000 (2018: EUR 12,000) and tax fees amounting to EUR 4,000 (2018: EUR 4,000) are payable by the Arranger, which is considered as a related party. An amount of EUR 2,228 (2018: EUR 2,228) is receivable from the Arranger as at 31 December 2019. The receivable from the Arranger includes corporate benefit receivable following the issuance of Series 2018-1 and Series 2018-2 amounting to EUR 1,000.

NATWEST MARKETS SECURED FUNDING DESIGNATED ACTIVITY COMPANY

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Notes to the financial statements (continued)**For the financial year ended 31 December 2019****13. Related party transactions (continued)***Transactions with Arranger (continued)*

In relation to the Series, the following transactions took place:

	Series 2018-1		Series 2018-2	
	31-Dec-19 EUR	31-Dec-18 EUR	31-Dec-19 EUR	31-Dec-18 EUR
Interest expense on Notes for the financial year	5,776,336	3,273,841	1,481,769	87,479
Interest payable on Notes at the end of the financial year	738,578	732,767	40,464	47,815
Redemption on the Notes for the financial year	1,454,970	2,134,027	11,525,225	704,297

	Series 2018-1		Series 2018-2	
	31-Dec-19 EUR	31-Dec-18 EUR	31-Dec-19 EUR	31-Dec-18 EUR
Interest income for the financial year	5,776,336	3,279,226	1,481,769	87,479
Interest receivable at the end of the financial year	738,578	732,767	40,464	47,815
Disposal of the assets during the financial year	1,652,632	2,136,556	11,525,225	704,297

There were no other transactions with related parties requiring disclosure in the financial statements.

14. Charges

The Notes issued by the Series are secured by way of a charge in favour of the Trustee, Deutsche Trustee Company Limited, over the collateral purchased by the respective Series and by an assignment of a fixed first charge to the trustee. These charges are as follows:

- (i) assignment of all of the issuer's rights, title and interests under the terms and conditions of the underlying assets and any sums received thereunder;
- (ii) assignment of the issuer's rights over the moneys standing to the credit of the payment account and the debts represented thereby and assigned for the benefit of the secured parties; and
- (iii) assignment of all the issuer's rights to amounts standing to the credit thereof and under the agency agreement in so far as it relates to the payment account and amounts standing to the credit thereof.

15. Subsequent events*(i) Novel Coronavirus COVID-19 Global Pandemic*

On March 11, 2020, the World Health Organisation officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. The directors are closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population.

Currently, the Company has issued Series 2018-1 and Series 2018-2 which have been derecognised as per IAS 39.

The directors continue to assess the potential impact of the COVID-19 Global Pandemic on the Company. While the pandemic is developing too quickly to allow for definitive conclusions, the directors currently believe that any impact on the operations of the Company is likely to be limited as:

- the Notes issued by the Company are limited recourse, and hence any losses suffered on the purchased trade receivables will ultimately be borne by the Noteholders; and
- both the Administrator and administrative agent have extensive business continuity plans, and should still be able to provide services to the Company in the event of a prolonged pandemic.

Post year end, the level of activity of the Company has remained stable and it was able to meet its contractual payments to the Noteholders which confirms the Company's ability to continue to generate cash flows to meet its obligations as they fall due.

(ii) Partial Redemption

The following Series of Notes were partially redeemed post the financial year end:

Series Name	Description	Maturity date	CCY	Nominal
2018-1	Series 2018-1 Notes due 2021	09-Apr-21	GBP	395,373
2018-2	Series 2018-2 Notes due 2020	03-Dec-20	EUR	3,606,754

There were no significant events after financial year end up to the date of signing this report that require disclosure and/or adjustment in the financial statements.

16. Approval of financial statements

The Board these financial statements on 3 July 2020.