

Company No. 849073

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

Report and Financial Statements

31 October 2012

THURSDAY



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31/01/2013
COMPANIES HOUSE

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 October 2012. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

PRINCIPAL ACTIVITIES

The principal activity of the Company is Trustee and Trust Administration Services.

ACCOUNTING STANDARDS

The financial statements are prepared in accordance with all International Financial Reporting Standards ("IFRS") as issued and in effect as at 31 October 2012 by the International Accounting Standards Board ("IASB"). These are the Company's first financial statements prepared in accordance with IFRS and IFRS1 First-Time Adoption of International Financial Reporting Standards (IFRS 1) has been applied. The financial statements were previously prepared under UK GAAP but this was changed in line with the change to reporting under IFRS by the Company's ultimate parent company Royal Bank of Canada.

RESULTS AND DIVIDENDS

The profit after taxation for the year ended 31 October 2012 was £488,266 (2011: £681,136). No dividend was paid during the year (2011: £Nil).

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Company continues to report a profit, although reported a reduced level of profitability when compared to the prior year, combining reduced revenues with increased costs. The decrease in revenue has been primarily seen in the property sector. New client additions in the year have been lower than anticipated. The main risk the Company faces in terms of profitability is a decrease in levels of business and pricing which could occur under worsening economic conditions. In the short term this risk is mitigated by fixed price agreements with a significant proportion of clients having fixed fee terms for up to 5 years.

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

DIRECTORS' REPORT – continued

DIRECTORS

The following served as directors during the whole year and since the year end except as noted below

M Clatworthy
P Egan (resigned 30 November 2012)
B Gowdy
R H Wilson
R I Wyatt

The Company is a wholly owned subsidiary of Royal Bank of Canada Holdings (UK) Limited. None of the directors has any interest in the shares of the Company or any other group company that are required to be disclosed in accordance with the Companies Act 2006

GOING CONCERN

The Company has reported an operating profit for the year despite the challenging economic environment which the directors believe will continue for some time. The directors believe the Company has a sound funding and liquidity position and adequate capital resources. As a consequence, the directors believe the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Therefore, the directors have a reasonable expectation, based on a review of budgets and expected cash flows that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

SECRETARY

O Adejumo served as secretary throughout the year

AUDITOR

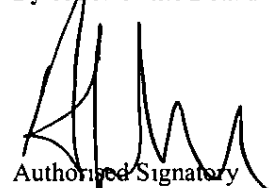
Deloitte LLP have expressed their willingness to continue in office

Each of the persons who is a director at the date of approval of this report confirms that

- as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- they have taken all the 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 auditor is aware of that information

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

By order of the Board



Authorised Signatory
O Adejumo
Secretary

Registered Office

Riverbank House
2 Swan Lane
London
England
EC4R 3BF

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

We have audited the financial statements of Royal Bank of Canada Trust Corporation Limited for the year ended 31 October 2012 which comprise the Statement of Financial Position, the Statement of Comprehensive Income the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 October 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRS as issued by the IASB

As explained in Note 1 to the financial statements, the company in addition to applying IFRS as adopted by the European Union, has also applied IFRS as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRS as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

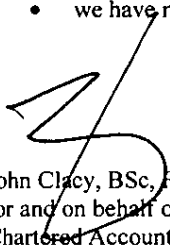
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BANK OF CANADA
TRUST CORPORATION LIMITED continued**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



John Clacy, BSc, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
St Helier, Jersey

Date 21 December 2012

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED


STATEMENT OF FINANCIAL POSITION

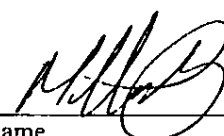
As at

	Note	31 October 2012 £'000	31 October 2011 £'000	1 November 2010 £'000
ASSETS				
Current assets				
Cash at bank	11	6,403	6,056	5,314
Trade and other receivables	8	552	382	331
Amounts recoverable from customers		156	177	183
		<u>7,111</u>	<u>6,615</u>	<u>5,828</u>
TOTAL ASSETS		<u>7,111</u>	<u>6,615</u>	<u>5,828</u>
EQUITY AND LIABILITIES				
Liabilities				
Payable within one year				
Other payables	9	723	810	948
Amounts due to related parties	11	326	128	3
Taxation		80	128	155
Payable after more than one year				
Other payables	9	91	146	-
Total liabilities		<u>1,220</u>	<u>1,212</u>	<u>1,106</u>
Capital and reserves				
Share capital	10	3,000	3,000	3,000
Retained earnings		2,891	2,403	1,722
Total equity		<u>5,891</u>	<u>5,403</u>	<u>4,722</u>
TOTAL EQUITY AND LIABILITIES		<u>7,111</u>	<u>6,615</u>	<u>5,828</u>

The accompanying notes form an integral part of these financial statements

Approved by the Board of Directors on Friday, 21 December 2012


Name ROLAND IAN WYATT Director


Name M. CLATWORTHY Director

Company number 849073

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended

	Note	31 October 2012 £'000	31 October 2011 £'000
INCOME			
Interest income	11	57	28
Fees and other income	4	1,598	1,824
		<hr/>	<hr/>
		1,655	1,852
		<hr/>	<hr/>
EXPENSES			
Staff costs	5	803	828
Related party transactions	11	100	22
Other expenditure		114	83
		<hr/>	<hr/>
Total non-interest expense		1,017	933
		<hr/>	<hr/>
INCOME BEFORE INCOME TAXES	6	638	919
Income tax expense	7	(150)	(238)
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME		488	681
		<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share Capital £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2010	3,000	1,722	4,722
Total comprehensive income for the year	-	681	681
Balance at 31 October 2011	<u>3,000</u>	<u>2,403</u>	<u>5,403</u>
Total comprehensive income for the year	-	488	488
Balance at 31 October 2012	<u>3,000</u>	<u>2,891</u>	<u>5,891</u>

The accompanying notes form an integral part of these financial statements

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

STATEMENT OF CASH FLOWS

For the year ended

	31 October 2012 £'000	31 October 2011 £'000
Cash flows from operating activities		
Total comprehensive income for the year	488	681
Adjustments for non-cash items and others		
Income tax expense	150	238
Adjustments for net changes in operating assets and liabilities		
Change in trade receivables (note 8)	83	(51)
Change in other receivables (note 8)	(253)	-
Change in amounts recoverable from customers	21	6
Change in amounts owed to related parties (note 11)	198	128
Change in amounts payable within one year (note 9)	(87)	(141)
Change in amounts payable after more than one year (note 9)	(55)	146
Cash generated from operating activities	545	1,007
Tax paid	(198)	(265)
Net cash from operating activities	347	742
Net change in cash at bank	347	742
Cash at bank at beginning of year (note 11)	6,056	5,314
Cash at bank at end of year (note 11)	6,403	6,056
Supplementary information – cash flows from operating activities include:		
Interest received	57	28

The accompanying notes form an integral part of these financial statements

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2012

1. GENERAL INFORMATION

The Company was incorporated in England on 14 May 1965. The address of the registered office is Riverbank House, 2 Swan Lane, London, England, EC4R 3BF. The principal activity of the Company is Trustee and Trust Administration services.

The financial statements are prepared in accordance with all International Financial Reporting Standards (IFRS) as issued and in effect as at 31 October 2012 by the International Accounting Standards Board (IASB). The financial statements have also been prepared in accordance with IFRS adopted by the European Union. These are the Company's first financial statements prepared in accordance with IFRS. IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements are prepared in accordance with IFRS. The particular accounting policies adopted by the directors are described below.

Going concern

The financial statements, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis.

Use of estimates and assumptions

In preparing the Financial Statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable. Key sources of estimation uncertainty include income taxes, recoverability of trade receivables and pensions. Accordingly, actual results may differ from these and other estimates thereby impacting future Financial Statements. Refer to the relevant accounting policies in this Note for details on the use of estimates and assumptions.

Significant judgements

In preparation of these Financial Statements, management is required to make significant judgements that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period. Significant judgements have been made in the following areas:

Income taxes - Note 2 and Note 7

Recoverability of trade receivables – Note 2 and Note 8

Pensions - Note 2 and Note 5

Income recognition

Income from Trustee and Trust Administration services is accounted for on an accruals basis. Revenue is recognised at the point in time when the Company has the right to receive payment for its services. Unbilled time is included in amounts recoverable from customers and is stated at the recoverable amount. Fees billed in advance are included in deferred income. Oil royalties are accounted for when received.

Trade receivables

Trade receivables are stated at carrying value less specific allowance for doubtful debts. The allowance for doubtful debts is assessed for each trade receivable based on a variety of factors including the overall quality and ageing of the receivables and evaluation of the customer's financial condition. Significant judgement is required when determining whether or not a provision is required in respect of trade receivables.

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Year ended 31 October 2012

2 ACCOUNTING POLICIES continued

Expense recognition

Expenses are accounted for on an accruals basis and are recorded in the financial statements of the periods to which they relate

Share-based compensation

Certain key employees are participants in performance deferred share plans and deferred share unit plans for key employees ("the Plans") The Plans are settled in cash The obligations for the Plans are accrued over their vesting periods and are adjusted to their fair value at each balance sheet date Changes in the obligations under the Plans are recorded within Staff Costs in the Statement of Comprehensive Income with a corresponding increase in Liabilities (Share-based compensation) on the Statement of Financial Position

The compensation cost attributable to options and awards, granted to employees who are eligible to retire or will become eligible to retire during the vesting period, is recognized immediately if the employee is eligible to retire on the grant date or over the period between the grant date and the date the employee becomes eligible to retire Contributions to the employee savings and share ownership plans are expensed as incurred

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling based on the rates of exchange ruling at the reporting period end date Revenue and expense items are converted monthly into sterling at average rates of exchange Foreign exchange gains or losses are included in "Other expenditure" in the Statement of Comprehensive Income There are no non-monetary assets denominated in foreign currencies

Cash at bank

Cash at bank comprises demand deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value

Assets held in a fiduciary capacity

Assets held in a trust, agency or fiduciary capacity for clients including scheme property are not included in the Statement of Financial Position as such assets are not beneficially owned by the Company

Income taxes

Income tax comprises current tax and is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity There is no deferred tax

Current income tax payable on profits is recognised as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise, calculated using tax rates enacted or substantively enacted by the reporting period end date

The Statement of Comprehensive Income includes items that are non-taxable or non-deductible for income tax purposes and, accordingly, this causes the income tax provision to be different from what it would be if based on statutory rates Significant judgment is required in the interpretation of relevant tax laws and in estimating the provision for current taxes due to uncertainty in timing and amount of current taxable income and in the design and ability to implement tax planning strategies

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Year ended 31 October 2012

2 ACCOUNTING POLICIES continued

Pension Costs

The Company operates both defined contribution and defined benefit pension plans

Company contributions to the defined contribution plan are charged to the Statement of Comprehensive Income within Staff Costs

The Company is also participating employer in the RBC (UK) Pension Plan ("the Plan"), a defined benefit pension plan which has Royal Bank of Canada as the principal employer and in which a number of other Royal Bank of Canada group companies also participate. The Plan is closed to new members and therefore, under the projected unit method, the current service cost as a percentage of pensionable salaries will increase as the members of the Plan approach retirement. The RBC (UK) Pension Plan is a funded defined benefit plan with the assets held in separate trustee administered funds. It is not possible for the Company to identify its share of the underlying assets and liabilities of the Plan and accordingly, as permitted under IAS 19, contributions to the Plan are accounted for as if they were contributions to a defined contribution plan. Judgement is required when estimating the level of contribution to the Plan and in determining the recognition of pension cost appropriate to the Company.

Standards in issue but not yet effective

There are a number of standards in issue not yet effective which the Directors have assessed and deemed do not apply to the Company. Management is currently assessing the impact of adopting the following standards on the financial statements:

IAS 1 *Presentation of Financial Statements* ("IAS 1")

In June 2011, the IASB issued amendments to IAS 1 regarding the presentation of OCI. The amendments are effective for the Company starting 1 November 2012.

IAS 12 *Income Taxes* ("IAS 12")

In December 2010, the IASB issued amendments to IAS 12 regarding deferred tax and the recovery of underlying assets. The amendments are effective for the Company starting 1 November 2012.

IAS 19, *Employee Benefits* (IAS 19)

In June 2011, the IASB issued amendments to IAS 19 regarding the recognition and measurement of defined benefit pension expense and termination benefits, including the elimination of the deferral and amortization of net actuarial gains or losses, and the disclosures for all employee benefits. The amendments will be effective for the Company on 1 November 2013.

IFRS 7 *Financial Instruments Disclosures* ("IFRS 7")

In December 2011, the IASB issued amendments to IFRS 7 regarding disclosure of offsetting financial assets and financial liabilities. The amendments are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The amendments will be effective for the Company on 1 November 2013.

IAS 32 *Financial Instruments Presentation* ("IAS 32")

In December 2011, the IASB issued amendments to IAS 32 which clarify the existing requirements for offsetting financial assets and financial liabilities. The amendments will be effective for the Company on 1 November 2014.

IFRS 9 *Financial Instruments* ("IFRS 9")

In November 2009, the IASB issued IFRS 9 as part of its plan to replace IAS 39, *Financial Instruments Recognition and Measurement* ("IAS 39"). IFRS 9 requires financial assets to be measured at either fair value or amortized cost on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. When the entity changes its business model, which is expected to be an infrequent occurrence, it is required to reclassify the affected financial assets prospectively. In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities previously included in IAS 39. In December 2011, the IASB amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015. Accordingly, IFRS 9 will be effective for the Company on 1 November 2015.

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

Year ended 31 October 2012

3. FIRST TIME ADOPTION OF IFRS

As stated in Note 1, these are the Company's first financial statements prepared in accordance with IFRS

The accounting policies set out in Note 2 have been applied in preparing the Financial Statements for the current year ended 31 October 2012, the comparative information for the previous year ended 31 October 2011 and the opening IFRS financial statements as at 1 November 2010

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP (previous GAAP). An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables

Adoption of IFRS has resulted in a number of presentational changes including the fact that the Profit and Loss Account is now called the Statement of Comprehensive Income and the Balance Sheet is now called the Statement of Financial Position. A Statement of Changes in Equity and a Statement of Cash Flows are included for the first time this year, as they were not required under the previous GAAP. A number of the accounting policies, individual line descriptions and categorisations have been updated to bring them in to line with IFRS

Reconciliation of equity

	1 November 2010			31 October 2011		
	UK GAAP	Effect of Transition To IFRS	IFRS	UK GAAP	Effect of Transition To IFRS	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Cash at bank	5,314	-	5,314	6,056	-	6,056
Trade and other receivables ⁽¹⁾	397	(66)	331	462	(80)	382
Amounts recoverable from customers	183	-	183	177	-	177
Total assets	5,894	(66)	5,828	6,695	(80)	6,615
Liabilities						
Trade and other payables	948	-	948	956	-	956
Amounts due to related parties	3	-	3	128	-	128
Taxation	155	-	155	128	-	128
Total liabilities	1,106	-	1,106	1,212	-	1,212
Equity						
Share capital	3,000	-	3,000	3,000	-	3,000
Retained earnings ⁽¹⁾	1,788	(66)	1,722	2,483	(80)	2,403
Total equity	4,788	(66)	4,722	5,483	(80)	5,403
Total liabilities and equity	5,894	(66)	5,828	6,695	(80)	6,615

Notes to the reconciliation

- (1) Amounts previously shown within Other receivables in respect of prepaid excess pension contributions which relate to the Company's participation in, and contributions to, the RBC (UK) Pension Plan have been taken to the Statement of Comprehensive Income under IFRS within Staff Costs. The adjustment has resulted in a reduction in opening retained earnings at transition of £66k (31 October 2011: £80k)

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

Year ended 31 October 2012

3 FIRST TIME ADOPTION OF IFRS continued

Reconciliation of comprehensive income for the year ended 31 October 2011

	31 October 2011		
	UK GAAP	Effect of Transition To IFRS	IFRS
	£'000	£'000	£'000
Interest income	28	-	28
Fees and other income	1,824	-	1,824
Total revenue	1,852	-	1,852
Non-interest expense			
Staff costs ⁽²⁾	814	14	828
Related party transactions	22	-	22
Other expenditure	83	-	83
Non-interest expense	919	14	933
Income before income taxes	933	(14)	919
Income taxes	(238)	-	(238)
Total comprehensive income	695	(14)	681
Notes to the reconciliation			

- (2) Following the adoption of IAS 19 in respect of Retirement Benefits, amounts which were previously deferred and subsequently amortised in respect of prepaid excess pension contributions relating to the Company's participation in, and contributions to, the RBC (UK) Pension Plan have been taken to the Statement of Comprehensive Income. The adjustment has resulted in an additional charge to the Statement of Comprehensive Income for the year ended 31 October 2011 of £14k within Staff Costs.

4. FEES AND OTHER INCOME

	2012 £'000	2011 £'000
Trustee fees	1,430	1,583
Oil royalty income	168	241
	1,598	1,824

Turnover of the Company consists of trustee fees net of discount, VAT or other sales related taxes and is wholly derived from business conducted in Europe. Oil royalty income is in respect of an historic arrangement relating to the financing of a North Sea oil enterprise.

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Year ended 31 October 2012

5 STAFF COSTS

	2012 £'000	2011 £'000
Salaries and other benefits	639	588
Social security costs	80	69
Pension costs	93	82
Share-based compensation	(9)	89
	<u>803</u>	<u>828</u>

The average number of persons working full time for the Company during the year was nine (2011 eight). These employees are remunerated by, and have employment contracts with a fellow subsidiary company.

Directors' emoluments were:

	2012 £'000	2011 £'000
Emoluments	217	218
Pension contributions	22	22
	<u>239</u>	<u>240</u>

Pensions

Defined contribution plan

The Company participates in a defined contribution retirement benefit scheme for current employees. The Plan is a money purchase pension scheme where a defined contribution is payable by the Company on behalf of eligible employees. Pension costs in respect of contributions payable are charged to the Statement of Comprehensive Income within Staff Costs. The cost to the Company in the year to 31 October 2012 was £42k (2011 £31k). As at 31 October 2012 outstanding contributions amounted to £nil (2011 £nil, 2010 £nil).

Defined benefit plan

As stated in Note 2, the Company participates in the RBC (UK) Pension Plan ("the Plan"), a defined benefit pension scheme in which a number of other Royal Bank of Canada group companies also participate. The Plan provides benefits based on years of service, contributions and average earnings at retirement. The Plan is funded by the Royal Bank of Canada group companies who participate in the Plan in accordance with plan-level actuarially determined amounts required to satisfy employee benefit obligations under current pension regulations. The number of employees of the Company who participate in the Plan is extremely low when compared to the overall Plan membership. There is no stated policy for charging either the net defined benefit cost, any future contributions which might be required or any ultimate deficit or surplus on funding of the Plan amongst the group entities and as a result, it is not possible to identify the Company's share of any such amounts. The Company therefore accounts for its share of contributions made to the Plan in an accounting period using the defined contribution method.

For 2012, total contribution made by the Company to the Plan was £51k (2011 £51k). As at 31 October 2012 outstanding contributions to the Plan amounted to £nil (2011 £nil, 2010 £nil).

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Year ended 31 October 2012

5 STAFF COSTS continued

Share-based Compensation

The Company offers performance deferred share award plans to certain key employees, all of which vest at the end of three years. Awards under the plans are deferred in the form of deferred share units ("DSUs"). The plans are settled in cash. The value of the award paid will be equivalent to the original award adjusted for dividends and changes in the market value of common shares at the time the award vests. The value of the DSUs liability as at 31 October 2012 was £135k (31 October 2011 £183k, 1 November 2010 £178k). The compensation expense recorded for the year ended 31 October 2012, in respect of these plans was a credit of £9k (2011 charge of £16k).

The compensation expenses for all of the above plans are recorded in Staff Costs in the Statement of Comprehensive Income.

6. INCOME BEFORE TAXATION

This is stated after charging	2012 £'000	2011 £'000
Auditor's remuneration	7	7

7 INCOME TAX EXPENSE

	2012 £'000	2011 £'000
UK Corporation tax	160	256
Adjustments in respect of prior periods		
UK Corporation tax	(10)	(18)
Total current tax charge	150	238

The Company is subject to UK Corporation Tax at 26% for the financial year 2011 and 24% for the financial year 2012.

Tax Reconciliation

	2012 £'000	2011 £'000
Income before income taxes	638	919
Tax on profit on ordinary activities at standard		
UK corporation tax rate of 24% (2011 26%)	153	239
Adjustments to tax charge in respect of prior periods	(10)	(18)
Impact of change in rate of UK corporation tax	5	13
Other timing differences	2	4
	150	238

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Year ended 31 October 2012

8. TRADE AND OTHER RECEIVABLES

	31 October 2012 £'000	31 October 2011 £'000	1 November 2010 £'000
Trade receivables	299	382	331
Other receivables	253	-	-
	<u>552</u>	<u>382</u>	<u>331</u>

Trade receivables are stated net of allowance for doubtful debts of £103k (2011 £47k)

9. OTHER PAYABLES

	31 October 2012 £'000	31 October 2011 £'000	1 November 2010 £'000
Payable within one year			
Other payables	139	170	175
Share-based compensation	45	37	128
Deferred income	539	603	645
	<u>723</u>	<u>810</u>	<u>948</u>
Payable after more than one year			
Share-based compensation	91	146	-
	<u>91</u>	<u>146</u>	<u>-</u>

10. SHARE CAPITAL

	31 October 2012 £'000	31 October 2011 £'000	1 November 2010 £'000
Allotted, called up and fully paid 3,000,000 ordinary voting shares of £1 each	3,000	3,000	3,000
	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>

11. RELATED PARTY TRANSACTIONS

Related parties

Related parties include the parent bank, Royal Bank of Canada ("RBC"), associated companies, post-employment benefit plans for the benefit of the Group's employees, key management personnel, the Board of Directors of RBC ("Directors"), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members

Key management personnel and Directors

Key management personnel are defined as those persons having, directly or indirectly, authority and responsibility for planning, directing and controlling the activities of RBC and its subsidiaries and comprise the senior executives of RBC called the Group Executive ("GE"). Specifically, the GE comprises the Chief Executive Officer and those individuals that report directly to him, including the Chief Administrative Officer and Chief Financial Officer, Chief Human Resource Officer, the Chief Risk Officer, and heads of RBC's business units. The GE is ultimately responsible for all material decisions of RBC.

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Year ended 31 October 2012

11 RELATED PARTY TRANSACTIONS continued

Key management personnel and Directors continued

The GE is also responsible for establishing the overall strategic direction of the RBC group and, in that regard, sets global parameters for the RBC group within which the board of directors and management of each subsidiary in the RBC group exercise their respective discretion to make decisions concerning the strategic direction and day-to-day management of the particular subsidiary. The Directors of RBC do not plan, direct, or control the day-to-day activities of RBC, they oversee the management of the business and provide stewardship.

Compensation of key management personnel and Directors

The following tables present the compensation paid, shareholdings and options held by key management personnel and Directors

	2012 CAD million	2011 CAD million
Salaries and other short-term employee benefits	21	23
Post-employment benefits	2	2
Other long-term benefits	25	24
	<u>48</u>	<u>49</u>

Shareholdings and options held by key management personnel, Directors and their close family members

	31 October 2012		31 October 2011		1 November 2010	
	No. of units held	Value CAD million	No. of units held	Value CAD million	No. of units held	Value CAD million
Stock options	5,402,931	40	5,663,871	23	5,011,708	45
Other non-option stock based awards	2,657,787	143	2,189,588	106	1,994,916	107
RBC common shares	1,593,328	91	1,638,939	80	1,511,316	82
	<u>9,654,046</u>	<u>274</u>	<u>9,492,398</u>	<u>209</u>	<u>8,517,940</u>	<u>234</u>

Transactions, arrangements and agreements involving key management personnel, Directors and their close family members

In the normal course of business, certain banking services are provided to key management personnel, Directors, and their close family members. These transactions were made on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing and did not involve more than the normal risk of repayment or present other unfavourable features.

For the year ended 31 October 2012, total loans to key management personnel, Directors and their close family members are \$6 million (31 October 2011 \$4 million, 1 November 2010 \$5 million). No guarantees, pledges or commitments have been given to key management personnel, Directors or their close family members.

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Year ended 31 October 2012

11. RELATED PARTY TRANSACTIONS continued

Balances with related parties	31 October 2012 £'000	31 October 2011 £'000	1 November 2010 £'000
RBC Associates – Cash at bank	6,403	6,056	5,314
RBC Associates – other liabilities	(326)	(128)	(3)
Transactions with related parties		31 October 2012 £'000	31 October 2011 £'000
RBC Associates – charges		411	346
RBC Associates – cost sharing recoveries		(311)	(324)
		100	22
Interest earned from RBC Associates		57	28

All related party transactions are on terms equivalent to an arm's length transaction

Immediate and ultimate controlling party

The Company's ultimate controlling party is Royal Bank of Canada, incorporated in Canada, which is also the parent company of the largest group which includes the Company and for which group financial statements are prepared. The parent company of the smallest group for which consolidated financial statements are prepared is Royal Bank of Canada Holdings (UK) Limited, a company registered in England and Wales. Copies of the group financial statements of Royal Bank of Canada and Royal Bank of Canada Holdings (UK) Limited are available at Riverbank House, 2 Swan Lane, London EC4R 3BF.

12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The following is a description of credit risk, market risk and liquidity risk, the Company's exposure to them and how these risks are managed.

The Company is an indirect wholly-owned subsidiary of RBC. In general, credit risk, market risk and liquidity risk are managed as part of the overall RBC risk management practices.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations and may arise directly from claims against a debtor or obligor, an issuer of securities or indirectly from claims against a guarantor of a credit obligation.

ROYAL BANK OF CANADA TRUST CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Year ended 31 October 2012

12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS *continued*

Credit risk *continued*

Objectives, policies and methodologies

The Group's credit risk is managed by RBC, following the same management principles which are guided by RBC's overall risk management principles

RBC's enterprise-wide credit risk policies set out the minimum requirements for the management of credit risk in a variety of transactional and portfolio management contexts

The credit risk policies comprise the following six categories

- Credit Risk Assessment includes policies related to credit risk analysis, risk rating, risk scoring and trading credit
- Credit Risk Mitigation includes credit structuring, collateral and guarantees
- Credit Risk Approval includes credit risk limits and exceptions
- Credit Documentation focuses on documentation and administration
- Credit Review and Deterioration includes monitoring and review
- Credit Portfolio Management includes portfolio management and risk quantification

RBC's credit risk objectives, policies, and methodologies have not changed materially from 2011

The Company's exposure to credit risk pertains primarily to the client related accounts receivable which are across a large base of private clients, thereby significantly reducing any counterparty concentration risk. The client receivables are not interest rate sensitive and are not impacted by changes in market conditions. The Company seeks to limit its credit risk with regard to customers by actively monitoring outstanding receivables. The Company establishes provisions against individual receivable accounts after taking into account factors such as the age of the receivable and any relevant information concerning the financial condition of the counterparty.

With respect to credit risk arising from the other financial assets of the Company (including cash at bank), the Company's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying amount of those instruments.

Management is of the opinion that the fair value of financial assets does not differ from the carrying value.

Market risk

Market risk is the risk of loss on the value of a financial instrument that may arise from changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices, and credit spreads.

Given that the nature of the Company's financial instruments are non trading assets and liabilities, exposure to market risk is not significant.

Liquidity risk

Liquidity and funding risk is the risk that the Company may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments as they come due.

Given that the nature of the Company's financial commitments are determined based on revenue received from clients with no other significant long-term debt, exposure to liquidity risk is minimal.

Management is of the opinion that the fair value of financial liabilities does not differ from the carrying value.