

Touche Ross & Co.

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THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

ACCOUNTS

30th September 1979

Touche Ross & Co.,
3, London Wall Buildings,
London, EC2M 5PH.



R.G.P. Styles	(Chairman)
The Rt. Hon. Lord Adeane, G.C.B.	
G.C.V.O, M.A.	(appointed 2nd April 1979)
Sir Charles Hardie, C.B.E., F.C.A.	(appointed 2nd April 1979)
The Viscount Hardinge	
R.S. Masleck	(appointed 2nd April 1979)
R.C. Priestland, F.C.I.S.	(appointed 2nd April 1979)
P.J. Rossiter	(appointed 23rd January 1979)

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

REPORT OF THE DIRECTORS

for the year ended 30th September 1979
(continued)

5. Employees

The average number of persons employed by the group in each week of the year was 358 and the aggregate gross remuneration adjusted to include only the post-acquisition period for the subsidiary acquired was £647,000.

6. Contributions

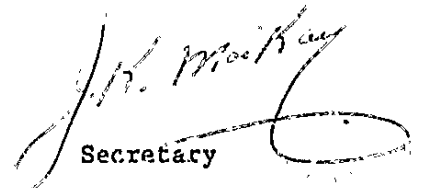
The total charitable contributions made during the year amounted to £1,236. No contribution was made for political purposes during the year.

7. Auditors

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By Order of the Board

8th February 1980


Secretary

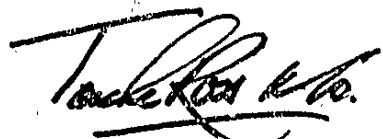
AUDITORS' REPORT TO THE MEMBERS

of

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

In our opinion the accounts and notes on pages 4 to 15, which have been prepared under the historical cost convention, comply with the Companies Acts 1948 and 1967 and, so far as concerns members of the company, give a true and fair view of the state of affairs at 30th September 1979 of the company and of the group and of the profit and source and application of funds of the group for the year ended on that date.

8th February 1980


Chartered Accountants

THE ROYAL BANK OF CANADA

CONSOLIDATED BALANCE SHEET

	Note	1979 £'000	1978 £'000
Liabilities			
Customers' accounts		69,179	17,789
Current taxation		782	11
Due to The Royal Bank of Canada and other members of the group	12	81,961	57,410
Due to other banks		8,017	2,001
Sundry creditors		5,586	626
		<u>165,525</u>	<u>77,837</u>
Acceptances, guarantees and letters of credit for account of customers		179	72
Long term loan	11	5,500	-
Deferred taxation	10	<u>451</u>	<u>-</u>
		<u>6,130</u>	<u>72</u>
Shareholders' funds			
Share capital	7	9,050	3,750
Reserves	8	4,677	2,066
		<u>13,727</u>	<u>5,816</u>
		<u>185,382</u>	<u>83,723</u>
		=====	=====

Directors

4.

1978 £'000		Note	1979 £'000	1978 £'000
	Current assets			
17,789	Cash in hand and with bankers		587	5
11	Due by other banks and discount houses		4,879	3,083
	Inventory of securities held for retrading	1.	822	-
57,410	Treasury bills and bank bills		3,028	-
	Loans and advances repayable on demand or within a period of one year	1,13	81,641	15,084
2,001	Tax recoverable		-	21
626	Special deposits with Bank of England		680	-
	Sundry debtors	1,13	1,470	55
77,837			93,167	18,248
	Investments			
72	Unlisted investment at cost (Directors' valuation £1,870,000 (1978 - £1,507,000))	3,5	713	668
72	Longer term loans and advances			
	Customers' accounts		70,337	63,165
	Leased assets	1(a)	3,794	1,188
	Due by other banks		8,396	304
			83,240	65,325
3,750	Customers' liability for acceptances, guarantees and letters of credit		179	72
2,066	Fixed assets	6	3,949	10
	Deferred asset ACT recoverable		-	70
9,816	Goodwill arising on consolidation	1(a)	4,907	-
			9,035	152
83,725			185,382	83,725

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDBALANCE SHEET - 30th September 1979

<u>1978</u> £'000		<u>Note</u>	<u>1979</u> £'000	<u>1978</u> £'000
-	Current assets			
-	Due by The Royal Bank of Canada		-	24
1	Due by The Royal Bank of Canada (London)		-	18
11	Limited		-	20
	Taxation recoverable			
12			-	62
-	Investments			
	Unlisted investment at cost			
	(Directors' valuation £1,825,000			
3,750	(1978 - £1,507,000))	3	669	669
39				
3,789				
	Subsidiary companies			
	Shares at cost	1(a)	13,443	3,000
	Deferred asset			
	ACT recoverable		23	70
3,801			14,135	3,801
3383398			*****	*****

for the year ended 30th September 1979

		1979 £'000	1978 £'000
Operating profit (before items below)		19,655	5,886
Add			
Income from listed investments		38	-
Income from unlisted investments		-	60
		19,693	5,946
Deduct			
Interest on customers' accounts		6,964	1,104
Interest on bank advances		8,358	3,616
Interest on long term loan	11	541	-
Auditors' fees		31	8
Depreciation	6	222	6
Directors' emoluments	9	19	-
		16,135	4,734
Profit before taxation		3,558	1,212
Taxation	10	467	264
Profit after taxation		3,091	948
Deduct			
Pre-acquisition profit of subsidiary acquired		480	-
Profit after taxation attributable to shareholders of holding company		2,611	948
Dividend		-	500
Retained profit transferred to reserves	8	2,611	448

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended 30th September 1979

	1979 £'000	1978 £'000
Source of funds:		
Profit after taxation *	2,611	947
Adjustment for items not involving the movement of funds		
Depreciation	222	6
Deferred taxation *	521	-
	<hr/>	<hr/>
Total generated from operations	3,354	953
Share capital issued	5,300	"
Long term loan *	5,500	-
	<hr/>	<hr/>
Proceeds from disposal of fixed assets	4	-
	<hr/>	<hr/>
	14,158	953
	<hr/>	<hr/>
Application of funds:		
Additions to fixed assets *	4,165	2
Dividend	"	500
	<hr/>	<hr/>
Excess arising from purchase of subsidiary *	4,907	-
	<hr/>	<hr/>
	9,072	502
	<hr/>	<hr/>
Increase in working capital	5,086	451
	<hr/>	<hr/>
Analysis of increase in working capital:		
Increase in advances to customers and other assets *	81,800	28,782
Increase in leased assets *	2,606	676
Increase/(decrease) in bank deposits and liquid assets *	8,323	(2,967)
(Decrease) in listed investments	-	(732)
Increase in unlisted investments *	45	"
	<hr/>	<hr/>
	92,774	25,739
	<hr/>	<hr/>
Less increase in deposits, customers' current and other accounts *	87,688	25,288
	<hr/>	<hr/>
	5,086	451
	<hr/>	<hr/>

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED
CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 30th September 1979
continued

* Summary of the effects as at 30th September 1979 of the acquisition of Western Trust & Savings Holdings Limited

Net assets acquired:	£'000	Discharged by:	£'000
Fixed assets	3,808	Purchase consideration	10,443
Goodwill	4,907	Post-acquisition profit	
Leased assets	1,791	after taxation	1,403
Investments	45		
Advances to customers and other assets	67,952		
Cash in hand, balances with bankers and bills	3,100		
Liabilities	(69,757)		
	<hr/>		<hr/>
	11,046		11,846
	<hr/>		<hr/>

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

NOTES TO THE ACCOUNTS

for the year ended 30th September 1979

1. Accounting policies

(a) Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiaries made up to 30th September 1979. On the 16th March 1979, the whole of the issued share capital of Western Trust & Savings Holdings Limited was acquired for £10,442,773. The profit before taxation of this company for the year ended 30th September 1979 amounting to £1,919,000 is included in the profit and loss account.

Investments in subsidiaries are stated at cost. Any excess of the cost of investments over the net assets of the subsidiary is retained in the balance sheet and shown as goodwill arising on consolidation. Goodwill on consolidation is to be amortised over a forty year period commencing in 1980.

The comparative figures for the year ended 30th September 1978 have been set out to include the accounts of Roytro Leasing Limited, a subsidiary of The Royal Bank of Canada (London) Limited not consolidated at that date.

The accounts incorporate the results of the associated company as detailed in note 5.

(b) Turnover

The turnover of the group is attributable to the business of banking and other related activities and is therefore not shown.

(c) Foreign currency

Foreign currency balances have been translated at exchange rates ruling at the balance sheet date.

(d) Depreciation

Depreciation has been provided at the following rates using the straight line method to write off assets over their estimated useful lives:-

Leasehold property with over 50 years to run	= 50 years
Leasehold property with less than 50 years to run	= The shorter of the period of lease and 20 years
Motor vehicles	= 4 or 5 years
Office equipment	= 5 or 10 years

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

NOTES TO THE ACCOUNTS

for the year ended 30th September 1979
(continued)

1. Accounting policies (continued)

(e) Leased assets

Leased assets are shown at the total value of the leases less unearned income and rentals received in advance. Interest is taken to profit using the investment period method, taking account of taxation allowances, so that the return is related to the funds invested in the assets.

(f) Securities

Securities held for re trading are held at the lower of cost and market value.

(g) Instalment credit loans

Interest receivable is credited to profit and loss account on a monthly basis on amounts outstanding. Where interest has been added at the commencement of an agreement to cover certain inception costs, this and the related costs are taken to revenue at the outset. On accounts where interest has been fully added to the agreement at the commencement revenue is related to the monthly balances outstanding and the deferred revenue represents the interest attributable to future instalments.

Commission payable to agents for introducing new business (except where covered by interest added at the commencement) is written off within the period of the agreements calculated on the sum of the digits method and deferred commission shown in Note 13 represents the amount attributable to future collections. All other costs of taking on new business are written off as incurred.

(h) Deferred taxation

No provision has been set up for deferred taxation resulting from the recognition of leasing profits in different periods for accounting and taxation purposes, because it is anticipated that capital allowances will continue to be obtained on a substantial scale from future leasing business within the group.

Deferred taxation has been provided under the liability method at the current rates of tax in respect of all other material timing differences in the recognition of income and expenditure for tax and accounting purposes.

2. Ultimate holding company

The ultimate holding company is The Royal Bank of Canada, which is incorporated in Canada.

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

NOTES TO THE ACCOUNTS

for the year ended 30th September 1979
(continued)

3. Unlisted investment

	<u>% of Equity</u>
Libra Bank Limited	
668,552 Ordinary £1 shares - fully paid	10.61%

4. Subsidiary companies 30th September 1979

All the following companies are incorporated in England

	<u>Nature of business</u>	<u>Class of shares held</u>
(i) The Royal Bank of Canada (London) Limited whose wholly-owned subsidiaries are:-	Banking	Ordinary
Roytru Leasing Limited	Leasing	Ordinary
Roytru Nominees Limited		Ordinary
Monteo Nominees Limited		Ordinary
Chancellor Investments Limited		Ordinary
D.P.U.T. Nominees Limited		Ordinary
Bishopgate International Nominees Limited		Ordinary
(ii) Western Trust & Savings Holdings Limited (formerly Lindsbourne Limited until 16th October 1979) whose wholly-owned subsidiaries are:-	Banking	Ordinary
Western Trust & Savings Limited whose wholly-owned subsidiary is:-	Banking	Ordinary
Western Trust & Savings Property Co Limited	Property	Ordinary
Western Credit Holdings Limited whose wholly-owned non-trading subsidiaries are:-	Holding	Ordinary
Western Credit Limited whose subsidiaries are:-	Finance	Ordinary
Para & General Investment Trust Limited		Ordinary
London Credit Limited		Ordinary
Scottish Credit Limited		Ordinary and Deferred
Welsh Credit Limited		Ordinary
Western Credit Nominees Limited		Ordinary

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDNOTES TO THE ACCOUNTS

for the year ended 30th September 1979
(continued)

5. Associated company

The group's share of the results for the year has been included in the consolidated profit and loss account as follows:-

	<u>£'000</u>
Profit before taxation	5
Taxation	3
Profit after taxation retained in associated company	2
The group's share of the associated company's losses retained at 30th September 1978	(15)
	(13)

The group's investment is in Western Industrial Leasing Co. Ltd, 120,000 50p ordinary shares, fully paid, out of 400,000 shares in issue (valued by directors at 145,000). No income has been received from this unlisted investment.

6. Fixed assets

	<u>Group</u>	
	<u>1979</u>	<u>1978</u>
	<u>£'000</u>	<u>£'000</u>
(a) Leasehold Premises at cost		
Additions in subsidiary acquired at 30th September 1979	3,439	—
Less amortisation at 30th September 1979 on assets in subsidiary acquired	274	—
	---	---
Net book value at 30th September 1979	3,165	—
	---	---
Comprising leases:		
With over 50 years to run	2,831	—
With less than 50 years to run	334	—
	---	---
	3,165	—
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THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

NOTES TO THE ACCOUNTS

for the year ended 30th September 1979
(continued)

6. Fixed assets, continued

	<u>Group</u>	
	<u>1979</u>	<u>1978</u>
	<u>£'000</u>	<u>£'000</u>
(b) Motor vehicles and equipment		
At cost at 1st October 1978	38	36
Additions		
In subsidiary acquired	1,070	-
Other	150	2
Disposals	(26)	-
	<hr/>	<hr/>
At 30th September 1979	1,232	38
	<hr/>	<hr/>
Less depreciation at 30th September 1979	448	28
	<hr/>	<hr/>
Net book value at 30th September 1979	784	10
	<hr/>	<hr/>
Net book value of total fixed assets	3,949	10
	<hr/>	<hr/>

(c) Capital commitments

	<u>Group</u>	<u>Holding Company</u>	
	<u>1979</u>	<u>1978</u>	<u>1979</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Contracted for	150	-	-
Authorised by the directors			
but not contracted for	-	-	-
	<hr/>	<hr/>	<hr/>

7. Share capital

	<u>1979</u>	<u>1978</u>
Ordinary shares of £1 each		
Authorised	£10,000,000	£5,000,000
	<hr/>	<hr/>
Issued and fully paid	£ 9,050,000	£ 3,750,000
	<hr/>	<hr/>

The authorised and issued share capital were increased on 17th January 1979 to provide finances for the acquisition of Western Trust & Savings Holdings Limited.

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

NOTES TO THE ACCOUNTS

for the year ended 30th September 1979
(continued)

8. Reserves

	<u>The Group</u>		<u>The Company</u>	
	<u>1979</u>	<u>1978</u>	<u>1979</u>	<u>1978</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
At 1st October 1978	2,066	1,618	39	19
Retained profit/(loss) for the year	2,611	448	(373)	20
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th September 1979	4,677	2,066	(334)	39
	<hr/>	<hr/>	<hr/>	<hr/>

9. Emoluments of Directors and Employees

(a) Directors

	<u>1979</u>	<u>1978</u>
	<u>£'000</u>	<u>£'000</u>
Additional information concerning directors' emoluments:-		
Fees	3	-
Other emoluments	16	-
	<hr/>	<hr/>
	19	-
	<hr/>	<hr/>
Emoluments of the chairman	-	-
Emoluments of the highest paid director	14	-
Scales of directors' emoluments	<u>No.</u>	<u>No.</u>
£ 0 - £5,000	6	3
£10,001 - £15,000	1	-

Three directors waived rights to receive fees totalling £2,365 in the year (1978 Nil).

(b) Employees

The number of employees in the group whose emoluments, excluding pension contributions, exceeded £20,000 were

£20,001 - £25,000	1	-
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THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDNOTES TO THE ACCOUNTS

for the year ended 30th September 1979
(continued)

10. Taxation

The charge for taxation comprises tax at 52% (1978 52%) on the profits of the year after taking into account capital allowances.

Deferred taxation, had it been provided at 30th September 1979, would have amounted to approximately £2,214,000 (1978 £620,000) under the liability method at current rate of corporation tax.

11. Long term loans

The long term loan of £5,500,000 from The Royal Bank of Canada is unsecured and provided for a period of not less than 10 years from 16th March 1979. Interest is payable at a rate of $1\frac{1}{2}\%$ per annum over the London inter-bank offered rate appropriate to the variable funding periods used.

In the event of a winding up repayment of the loan and interest due thereon is subordinated to other creditors of Western Trust & Savings Holdings Limited.

12. Due to The Royal Bank of Canada and other group members

Amounts due to The Royal Bank of Canada and other group members are disclosed in the consolidated balance sheet net of £9,791,000 (1978 £7,770,000) current assets and £5,279,000 (1978 £507,000) longer term assets receivable from The Royal Bank of Canada and its subsidiaries. The amount disclosed in the company's balance sheet is net of £1,650,000 receivable from a subsidiary.

13. Deferred commission and deferred revenue

Deferred commission of £512,000 (1978 - £nil) payable to agents for introducing new business is included in sundry debtors representing the amount attributable to future collections.

Deferred revenue of £47,000 has been set against loans and advances repayable within a period of one year representing revenue attributable to future loan repayment instalments where an item has been added in full to the loan agreement at commencement of the loan.

Touche Ross & Co.

Chartered Accountants

3 London Wall Buildings London EC2M 5PH

AUDITORS' REPORT TO THE MEMBERS

of

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

In connection with our examination of the statutory accounts of the group for the year ended 30th September 1979 we have also examined the parent company's profit and loss account for the year ended 30th September 1979. In our opinion this account, shown on page 17, which has been prepared under the historical cost convention, gives a true and fair view of the loss for the year.

8th February 1980

Touche Ross & Co.
Chartered Accountants

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 30th September 1979

	1979 £'000	1978 £'000
Royalties:	156	58
Income from: unlisted investment (gross)	—	60
subsidiary company	—	450
bank deposit	18	4
	<hr/>	<hr/>
	174	572
	<hr/>	<hr/>
Deduct		
Professional fees	16	—
Auditors' fees	2	1
Directors' fees	1	—
Loan interest	394	—
Stamp duty	53	—
	<hr/>	<hr/>
	466	1
	<hr/>	<hr/>
(Loss)/profit before taxation	(292)	571
Taxation		
Corporation tax	81	51
	<hr/>	<hr/>
(Loss)/profit after taxation	(373)	520
Interim dividend paid	—	500
	<hr/>	<hr/>
(Loss)/profit transferred to reserves	(373)	20
	<hr/>	<hr/>