

**COMPANY NO. 01124733**

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 OCTOBER 2012**



# **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

**For the year ended 31 October 2012**

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## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **REPORT OF THE DIRECTORS**

The Directors present their annual report and the audited financial statements of Royal Bank of Canada Holdings (U K ) Limited (the Company) for the year ended 31 October 2012

#### **Business review and principal activities**

The Company is a holding company registered in England and Wales. Its subsidiaries provide a range of banking and other financial services, primarily in the United Kingdom, as part of the international activities of Royal Bank of Canada (RBC).

As part of the reorganisation of the RBC European corporate group structure, on 29 November 2012 RBC Finance S a r l / B V transferred its 100% interest in the Company to Royal Bank of Canada, and the Company disposed its 100% investment in RBC Europe Limited, a licensed bank, to Royal Bank of Canada.

The Company is taking advantage of the small companies' exemptions under s415A of the Companies Act 2006, in preparing the Directors Report.

The net profit for the year ended 31 October 2012 of £3,725,000 (2011: £4,953,000) was transferred to reserves.

The Directors do not recommend the payment of a dividend (2011: £Nil).

#### **Future prospects**

Despite the change of the RBC European corporate group structure, the activities of the Company are expected to continue in a similar manner for the foreseeable future.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development and performance are set out above. The financial position of the Company is set out in the financial statements. The Company has adequate financial resources.

Therefore, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook, and have a reasonable expectation 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 accounts.

#### **Financial risk management objective and policies**

The Company's objectives, policies and processes for managing its capital and exposures to credit risk, market risk and liquidity risk are disclosed in Note 12 to the financial statements.

#### **Environment**

RBC recognises the importance of its environment responsibilities and has established an environment policy, the goal of which is to minimise the environment impact of its business operations and lending activities. This policy is applicable to the Company. Further details of the Company's environmental policies are provided in the Corporate Responsibility Report of RBC.

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **REPORT OF THE DIRECTORS (continued)**

#### **Directors**

The following served as Directors of the Company throughout the year except as noted

P F M Egan (resigned 25 November 2012)  
S Krag  
D Thomas

#### **Third party indemnities**

During the financial year, the Company's Directors benefited from qualifying third party indemnities granted by the Company's parent Royal Bank of Canada indemnifying the Directors against liabilities and associated costs, which they could incur in the course of their duties to the Company. The indemnities remain in force as at the date of these financial statements. A copy of each of the indemnities is kept at the registered office of the Company.

#### **Charitable donations**

The Company did not make any charitable donations (2011 £Nil) during the year and no political donations (2011 £Nil).

#### **Supplier payment policy**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

#### **Auditor**

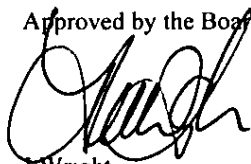
In the case of each of the Directors of the Company as at the date when this report was approved

- as far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and
- the Directors have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s416 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor.

Approved by the Board and signed on their behalf



J Wright,  
Secretary  
29 January 2013

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **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 and Article 4 of the IAS Regulation. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

We have audited the financial statements of Royal Bank of Canada Holdings (UK) Limited for the year ended 31 October 2012 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and the related Notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

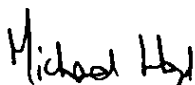
#### **Opinion on other matter prescribed by the Companies Act 2006**

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.

#### **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.



Michael Lloyd (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
29 January 2013

# **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

## **Statement of Comprehensive Income** **For the year ended 31 October 2012**

	Notes	2012	2011
		£'000	£'000
Interest income	3	392	3
Dividend income	8	3,500	5,000
Administrative expenses	4	(70)	(50)
<b>Profit before tax</b>		<b>3,822</b>	<b>4,953</b>
Income taxes	6	(97)	-
<b>Net income</b>		<b>3,725</b>	<b>4,953</b>
<b>Total comprehensive income attributable to shareholders</b>		<b>3,725</b>	<b>4,953</b>

## **Statement of Changes in Equity**

	Common share	Retained earning	Total equity
£'000	Note 9	Note 10	
<b>Balance at 1 November 2010</b>	490,543	93,786	584,329
Net income	-	4,953	4,953
<b>Balance at 31 October 2011</b>	<u>490,543</u>	<u>98,739</u>	<u>589,282</u>
Net income	-	3,725	3,725
<b>Balance at 31 October 2012</b>	<u>490,543</u>	<u>102,464</u>	<u>593,007</u>

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

**Balance Sheet as at 31 October 2012**

	Notes	2012 £'000	2011 £'000	1 November 2010 £'000
<b>ASSETS</b>				
Cash and due from banks	7	611	400	446
Investments in subsidiaries	8	592,487	588,987	583,987
Other assets		<u>4</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<b><u>593,102</u></b>	<b><u>589,387</u></b>	<b><u>584,433</u></b>
<b>LIABILITIES</b>				
Current taxation		<u>95</u>	<u>105</u>	<u>104</u>
<b>TOTAL LIABILITIES</b>		<b>95</b>	<b>105</b>	<b>104</b>
Common shares	9	490,543	490,543	490,543
Retained earnings	10	<u>102,464</u>	<u>98,739</u>	<u>93,786</u>
<b>TOTAL EQUITY</b>		<b>593,007</b>	<b>589,282</b>	<b>584,329</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b><u>593,102</u></b>	<b><u>589,387</u></b>	<b><u>584,433</u></b>

The financial statements were approved and authorised to be issued by the Board of Directors on 29 January 2013

Signed on behalf of the Board of Directors



Director's Name and Signature

STEPHEN KRAG

COMPANY NO 01124733



## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **Statement of Cash Flows**

**For the year ended 31 October 2012**

	Note	2012 £'000	2011 £'000
<b>Cash flows from operating activities</b>			
Net income for the year		3,725	4,953
Change in current income taxes		(10)	1
Change in other assets		(4)	-
<b>Net cash from (used in) operating activities</b>		<b>3,711</b>	<b>4,954</b>
<b>Cash flows from investing activities</b>			
Changes in investments in subsidiaries		(3,500)	(5,000)
<b>Net cash used in investing activities</b>		<b>(3,500)</b>	<b>(5,000)</b>
<b>Net change in cash and cash equivalents</b>		<b>211</b>	<b>(46)</b>
Cash and due from banks at beginning of year		400	446
<b>Cash and due from banks at end of year</b>	7	<b>611</b>	<b>400</b>
<b>Net cash from (used in) operating activities include:</b>			
Amount of interest received		388	3
Amount of dividend received		3,500	5,000

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **Notes to the financial statements**

#### **For the year ended 31 October 2012**

##### **1 Basis of preparation**

- a) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1, *First-time Adoption of International Reporting* (IFRS 1), has been applied. Previously, the financial statements were prepared under United Kingdom General Accepted Accounting Practices (UK GAAP).

The Company has transitioned to IFRS with effective date 1 November 2010 to align with the RBC Group accounting policy. Transition from UK GAAP to IFRS has no impact on the Company's balance sheet and comprehensive income.

The financial statements have been prepared in accordance with all IFRSs issued and effective as at 31 October 2012. The accounting policies set out below were consistently applied to all periods presented including the IFRS opening balance sheet as at 1 November 2010 (the Transition date) for the purposes of transition to IFRS, as required by IFRS 1.

The Company is incorporated in the UK, and its financial statements are prepared on the historical cost basis and presented in compliance with the Companies Act 2006.

The financial statements of the Company for the year ended 31 October 2012 were authorised for issue by the Board of Directors on 31 January 2013.

- b) In accordance with the provisions of s401 of the Companies Act 2006 the Company is exempt from preparing and delivering consolidated financial statements because it is a wholly owned subsidiary of a parent undertaking that is not established in the European Economic Area (EEA).
- c) The Company's business activities, together with factors likely to affect its future development, performance and position are set out in the Directors' report. The Company's financial risk management objectives, policies and processes are disclosed in Note 12.

After undertaking a detailed analysis of its financial resource requirements, management believes that the Company has adequate resources to meet its minimum capital and liquidity requirements and appropriate contingency plans to ensure that the Company continues to operate for the foreseeable future. Therefore the Company continues to adopt the going concern basis in preparing the Annual Report and Financial Statements.

- d) In preparing the Company's 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 and fair value of financial instruments, actual results may differ from these and other estimates thereby impacting the Company's future Financial Statements. Refer to the relevant accounting policies in Note 2 for details on the use of estimates and assumptions.
- e) In preparation of these Financial Statements, management is required to make critical judgments that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period. Critical judgments have been made in the following areas: determination of the impairment of the investments in subsidiaries and income tax. Refer to the relevant accounting policies in Note 2 for details on the critical judgments.
- f) These financial statements are presented in GBP, the Company's functional currency, and all values are rounded to the nearest thousand except where otherwise indicated.

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 October 2012**

##### **2      Significant accounting policies**

###### **a)      Interest income and expense**

Interest income and interest expense is recognised in the Statement of Comprehensive Income using effective interest method

The effective interest method is a method of calculating the amortised cost of a financial assets and liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial instrument, and any revisions to these estimates are recognised in the Statement of comprehensive income. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

###### **b)      Dividend income**

Dividend income is recognised when the Company's right to receive payment is established. This is the ex-dividend date for equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

###### **c)      Investments in subsidiaries**

Investments in subsidiaries are held at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying amount of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

###### **d)      Income tax**

Income tax comprises current tax and deferred tax and is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respected previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled based on tax rates and laws enacted, or substantively enacted, at the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting entity and related to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 October 2012**

##### **2      Significant accounting policies (continued)**

Significant judgment is required in the interpretation of the relevant tax laws, and the determination of tax provision which includes management's best estimate of tax positions that are under audit or appeal by relevant taxation authorities

##### **e)      Cash and due from banks**

For the purposes of the Statement of Cash Flows, Cash and due from bank include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash and balances at central banks, loans and advances to banks

##### **f)      Future accounting changes**

Management is currently assessing the impact of adopting the following standards on the Company's financial statements

##### *IFRS 9 Financial Instruments (IFRS 9)*

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition

Key requirements of IFRS 9 are summarized as follows

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial instruments Recognition and Measurement (IAS 39) to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting period
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit and loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as fair value through profit or loss (FVTPL), the amount of change in the fair value of the financial liability that is attributable to change in credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **Notes to the financial statements (continued)**

#### **For the year ended 31 October 2012**

##### **2 Significant accounting policies (continued)**

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.

##### *IFRS 13 Fair Value Measurement (IFRS 13)*

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad, it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. IFRS 13 is effective for the Company on 1 November 2013.

##### *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 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 November 1, 2012.

##### *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.

##### **3 Interest income**

	<b>2012</b>	<b>2011</b>
<b>Interest income received from:</b>	<b>£'000</b>	<b>£'000</b>
Related parties		
-RBC Europe Ltd	<b>8</b>	<b>2</b>
Third parties	<b>384</b>	<b>1</b>
<b>Total interest income</b>	<b>392</b>	<b>3</b>

# **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

## **Notes to the financial statements (continued)**

### **For the year ended 31 October 2012**

#### **4 Administrative expenses**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Audit fees	<b>11</b>	<b>11</b>
Other professional services	<b>59</b>	<b>39</b>
Total	<b>70</b>	<b>50</b>

#### **5 Remuneration of Directors and employees**

None of the Directors serving during the year received any emoluments from the Company (2011 £ Nil)  
The Directors received their remuneration from Royal Bank of Canada The Company has no employees (2011 none)

#### **6 Income tax**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Profit before tax	<b>3,822</b>	<b>4,953</b>
Tax reconciliation		
Profit before tax multiplied at the UK blended rate of 24.83% (2011 26.83%)	<b>949</b>	<b>1,329</b>
Expenses not deductible	<b>17</b>	<b>10</b>
Income exempt from tax	<b>(869)</b>	<b>(1,342)</b>
Adjustments recognised in respect of prior periods	<b>-</b>	<b>3</b>
Total	<b>97</b>	<b>-</b>

#### **7 Cash and due from banks**

	<b>2012</b>	<b>2011</b>	<b>1 November 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts due from related parties			
- RBC Europe Ltd	<b>611</b>	<b>400</b>	<b>446</b>

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **Notes to the financial statements**

#### **For the year ended 31 October 2012**

##### **8 Investments in subsidiaries**

<b>Cost and net book value.</b>	<b>2012</b>	<b>2011</b>	<b>1 November 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At start of the year	<b>588,987</b>	583,987	580,987
Additions during the year	<b>3,500</b>	5,000	3,000
At end of the year	<b>592,487</b>	588,987	583,987

Details of the company's subsidiaries are as follows

<b><u>Company</u></b>	<b><u>Nature of business</u></b>
RBC Europe Limited	Banking
Royal Bank of Canada Investment Management (U K ) Limited	Investment management
RBC Asset Management UK Limited	Investment management
Royal Bank of Canada Trust Corporation Limited	Trustee

All subsidiaries are 100% owned by the Company, incorporated in Great Britain and registered in England and Wales

During the year, the Company received a cash dividend of £3.5 million (2011: £5 million) from RBC Asset Management UK Limited, and the proceeds were subsequently used to purchase an additional £3.5 million shares from Royal Bank of Canada Investment Management (U K ) Limited

Subsequent to balance sheet date, the Company deposited its investments in RBC Europe Limited to Royal Bank of Canada. Detailed disclosure has been included in Note 15

# **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

## **Notes to the financial statements**

### **For the year ended 31 October 2012**

#### **9 Common shares**

	<b>2012</b>	<b>2011</b>	<b>1 November</b>
	<b>£'000</b>	<b>£'000</b>	<b>2010</b>
			<b>£'000</b>
Allotted and fully paid			
490,542,936 (2011 490,542,936) ordinary shares	<b>490,543</b>	<b>490,543</b>	<b>490,543</b>
of £1 each			

#### **10 Retained earnings**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
As at 1 November	<b>98,739</b>	<b>93,786</b>
Net income	<b>3,725</b>	<b>4,953</b>
As at 30 October	<b>102,464</b>	<b>98,739</b>

#### **11 Reconciliation of movements in shareholders' funds**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Opening shareholders funds	<b>589,282</b>	<b>584,329</b>
Total comprehensive income attributable to shareholders	<b>3,725</b>	<b>4,953</b>
Net additional to shareholders funds	<b>3,725</b>	<b>4,953</b>
Closing shareholders funds	<b>593,007</b>	<b>589,282</b>



## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **Notes to the financial statements**

#### **For the year ended 31 October 2012**

##### **12 Financial risk management**

The Company's subsidiaries provide a range of banking and other financial services, primarily in the United Kingdom, as part of the international activities of Royal Bank of Canada. The Company itself has limited exposure to financial risks. Risk management is carried out within the Company's subsidiaries as part of a group-wide approach.

The Company had outstanding amounts owed by group undertakings of £611,000 (2011: £400,000, 1 Nov 2010: £446,000). These are not subject to significant financial risk.

The Company is therefore deemed to have minimal Credit, Liquidity and Market risk as defined under IFRS 7.

##### **13 Related party transactions**

###### *Related party*

Related parties include the parent bank, Royal Bank of Canada (RBC), associated companies, post-employment benefit plans for the benefit of our 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.

###### *Transaction with other group entities*

The Company is a holding company registered in England and Wales. Its subsidiaries provide a range of banking and other financial services. In the normal course of business, the Company incurs certain transactions with related parties including funding, placing deposits and receiving dividends from its subsidiaries. These transactions were made on substantially the same terms as for comparable transactions with third-party counterparties. Details of related party transactions are disclosed in the relevant notes to the financial statements above.

##### **14 First time adoption of IFRS**

The Company has adopted IFRS effective 1 November 2011 and the transition date is 1 November 2010 to align its accounting policy with RBC Group. These are the Company's first financial statements prepared in accordance with IFRSs.

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 presented in these financial statements for the year ended 31 October 2011 and in the preparation of an opening IFRS statement of financial position at 1 November 2010.

As stated in Note 1(a), transition to IFRS has no impact on the Company's assets, liabilities and comprehensive income. As a result, no opening IFRS adjustments are required for the amounts reported previously in financial statements prepared in accordance with UK GAAP (previous GAAP).

## **ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED**

### **Notes to the financial statements**

#### **For the year ended 31 October 2012**

##### **15      Subsequent events**

On 15 November 2012, the Company issued 20,000,000 ordinary shares of £1 each in the capital of the Company to its sole shareholder RBC Finance S a r l /B V . The Company also capitalised £100,000,000 in its profit and loss account and allotted a bonus issue of 100,000,000 ordinary shares of £1 each in capital to RBC Finance S a r l /B V . As a result, the Company had a total allotted and fully paid ordinary shares of 610,542,936 of £1 each.

As part of the reorganisation of the RBC European corporate group structure, RBC Finance S a r l /B V , disposed of its 100% interest in the Company to Royal Bank of Canada and the Company subsequently reduced its capital by £590,000,000 by cancelling and extinguishing paid-up capital by 97p and repaid the capital to its new sole shareholder, Royal Bank of Canada, by transferring its 100% interest in one of its subsidiaries, RBC Europe Limited . As a result, the Company had a total allotted and fully paid ordinary shares of 610,542,936 of £0.03 each . The aforementioned transactions were completed on 29 November 2012, and Royal Bank of Canada is now the immediate parent of the Company.

##### **16      Parent companies**

Following the group restructuring noted above, the Company's immediate parent company is now Royal Bank of Canada, incorporated in Canada, which is also the parent undertaking of the smallest and largest group which includes the Company and for which group accounts are prepared . Copies of the group financial statements of Royal Bank of Canada are available at 2 Swan Lane, London EC4R 3AD . Group accounts are also filed at Companies House.