

Company No. 01124733

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

Annual Report and Financial Statements

31 October 2016

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

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

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

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Stephen Krag
Mark Clatworthy
Stuart Rutledge

SECRETARY

Charlotte Birks

REGISTERED OFFICE

Riverbank House
2 Swan Lane
London
EC4R 3BF

AUDITOR

PricewaterhouseCoopers CI LLP
Chartered Accountants
37 Esplanade
St Helier
Jersey
JE1 4XA
Channel Islands

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

The Directors present their strategic report of Royal Bank of Canada Holdings (UK) Ltd for the year ended 31 October 2016.

STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2016.

BUSINESS REVIEW

Royal Bank of Canada Holdings (U.K.) Limited (the "Company") is a holding company registered in England and Wales, with subsidiaries that provide a range of investment and asset management services, as well as private client fiduciary services and other financial services. The client base of subsidiaries is primarily, private clients, trusts, funds, companies and institutions. The Company is a wholly-owned subsidiary of Royal Bank of Canada.

The Company's income streams are limited to dividend income from subsidiaries and net interest income generated from cash deposits.

As shown in the Company's Statement of Comprehensive Income on page 9, total interest income decreased by £0.01 million from prior year to £0.04 million. Total income included a dividend of £10 million received from RBC Global Asset Management (UK) Limited in the year ended 31 October 2016 (2015: £nil).

Total cost increased by £0.11 million from prior year to £0.13 million (2015: £0.02 million). It is mainly driven by internal operations and technology recovery and functions recharges.

The subsidiaries of the Company had mixed results. RBC Global Asset Management (UK) Limited made a profit before tax whereas RBC Investment Management (UK) Limited and RBC Investment Management (USA) Limited made losses before income tax.

Net profit for the year ended 31 October 2016 was £9.93 million (2015: £0.02 million).

The Statement of Financial Position of the Company is shown on page 8 of the financial statements. Total assets increased in the year (2016: £55.65 million versus 2015: £45.72 million).

During the year the Company did not purchase any shares in Royal Bank of Canada Investment Management (U.K.) Limited (2015: £8.00 million).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's business activities are limited as a holding Company and therefore it is not extensively exposed to risks other than credit and liquidity risks.

The Company's principal risks and uncertainties and financial and other risk management objectives and policies including information about the Company's capital structure are discussed in Note 12 to the financial statements.

ENVIRONMENT

Royal Bank of Canada recognises the importance of its environmental responsibilities and has established an environmental policy, the goal of which is to minimise the environmental impact of its business activities. This policy is applicable to the Company. Further details of the Company's environmental policies are provided in the Corporate Responsibility Report of Royal Bank of Canada, incorporated in Canada, which is also the parent undertaking of the largest group which includes the Company and for which group financial statements are prepared.

EMPLOYEES

The average monthly number of persons employed during the year was nil (2015: none).

By order of the Board

Authorised Signatory
Director
Name:

SIGMUND REAR



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

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of Royal bank of Canada Holdings (UK) Ltd for the year ended 31 October 2016.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The activities of the Company are expected to continue in a similar manner for the foreseeable future.

RESULTS AND DIVIDENDS

The net profit for the year ended 31 October 2016 was £9.93 million (2015: £0.02 million).

The Directors do not recommend the payment of a dividend (2015: £nil).

GOING CONCERN

The Company has reported an operating profit for the year. Based on a review of three-year projections and the current funding, liquidity and capital resources position, the Directors believe the Company is well placed to manage its business risks successfully. Therefore, the Directors 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 financial statements.

THIRD PARTY INDEMNITIES

During the financial year the Company's Directors benefited from qualifying third party indemnities granted by the Company's ultimate 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 the financial statements. A copy of each of the indemnities is kept at the registered office of the Company.

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 2016 by the International Accounting Standards Board (IASB) and as adopted by the European Union.

CAPITAL STRUCTURE

The Company's capital structure consists of common equity shares, retained earnings and capital reserves.

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

DIRECTORS' REPORT – continued

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the strategic report, the Directors' 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRS, issued by the International Accounting Standards Board (IASB). 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, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union, and IFRS as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for 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.

DIRECTORS

The present Directors are shown on page 1 and have all served since the year end.

SECRETARY

Oluremi Adejumo resigned as Company secretary on 3 June 2016. Charlotte Birks was appointed as Company secretary on 4 July 2016.

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

DIRECTORS' REPORT – continued

INDEPENDENT AUDITOR

Each of the Directors of the Company as at the date when this report was approved confirms that:

1. 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 independent auditor is unaware; and
2. Each of the Directors has taken all the steps they ought to have taken as a Director to make them aware of any relevant audit information (as defined) and to establish that the Company's independent auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP resigned as auditor following the completion of the audit for the year ended 31 October 2015. PricewaterhouseCoopers CI LLP have been appointed as the Company's auditor.

On behalf of the Board



Authorised Signatory
Director

Name: MARK CLATWORTHY

Registered Office
Riverbank House
2 Swan Lane
England
EC4R 3BF

Independent auditors' report to the members of Royal Bank of Canada Holdings (U.K.) Limited

Report on the financial statements

Our opinion

In our opinion, Royal Bank of Canada Holdings (U.K.) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 October 2016 and of its profit and cash flows for the year then ended;
 - have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements, comprise:

- the Statement of Financial Position as at 31 October 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRS as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

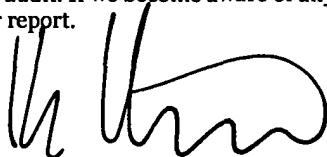
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Karl Hairon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors

Jersey

15 December 2016

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

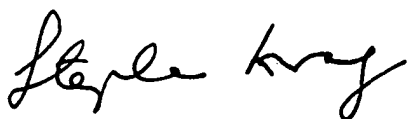
STATEMENT OF FINANCIAL POSITION For the year ended 31 October 2016

		2016 £'000	2015 £'000
	Notes		
ASSETS			
Cash and cash equivalents	3	13,582	3,668
Other Receivables		18	-
Investments in subsidiaries	4	42,053	42,053
TOTAL ASSETS		55,653	45,721
LIABILITIES			
Amounts due to related parties	11	12	6
TOTAL LIABILITIES		12	6
Share Capital	5	18,316	18,316
Retained earnings	6	15,032	5,106
Capital Reserves		22,293	22,293
TOTAL EQUITY		55,641	45,715
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		55,653	45,721

The accompanying notes on pages 12 to 24 form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on ¹⁵16 December 2016

Signed on behalf of the Board of Directors



Director
Name: STEPHEN KELLY



Director
Name: MARK CLATWORTHY

Company No. 01124733

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2016

		2016 £'000	2015 £'000
	Notes		
Income			
Interest income	7	35	47
Dividend income		10,000	-
Total income		10,035	47
Expenses			
Administrative expenses	8	126	18
Total expense		126	18
Income before taxation		9,909	29
Income taxes	10	17	(6)
Net income		9,926	23
Total comprehensive income attributable to shareholders		9,926	23

The above results are derived from continuing operations in the current and preceding years.

The accompanying notes on pages 12 to 24 form an integral part of the financial statements.

There are no items of other comprehensive income in the current or preceding years.

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2016

	Share Capital £'000	Retained Earnings £'000	Capital Reserves £'000	Total Equity £'000
Balance at 1 November 2014	18,316	5,083	22,293	45,692
Net income	-	23	-	23
Balance at 31 October 2015	18,316	5,106	22,293	45,715
Net income	-	9,926	-	9,927
Balance at 31 October 2016	<u>18,316</u>	<u>15,032</u>	<u>22,293</u>	<u>55,642</u>

The accompanying notes on pages 12 to 24 form an integral part of the financial statements.

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

STATEMENT OF CASH FLOWS

For the year ended 31 October 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit before income taxes		9,909	29
Adjustments for net changes in operating Assets and liabilities			
(Increase)/decrease in trade and other receivables		-	-
(Decrease)/increase in trade and other payables		12	-
Cash from operating activities		<u>9,921</u>	<u>29</u>
Tax paid		(7)	(9)
Net cash from operating activities		<u>9,914</u>	<u>20</u>
Cash flows from investing activities			
Changes in investments in subsidiaries	4	-	(8,000)
Net cash from investing activities		<u>-</u>	<u>(8,000)</u>
Cash flows from financing activities			
Issue of common shares	5	-	-
Net cash from financing activities		<u>-</u>	<u>-</u>
Net change in cash and cash equivalents		<u>9,914</u>	<u>(7,980)</u>
Cash and cash equivalents at beginning of year		3,668	11,648
Cash and cash equivalents at end of year	3	<u>13,582</u>	<u>3,668</u>

The accompanying notes on pages 12 to 24 form an integral part of the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2016

1. BASIS OF PREPARATION

a. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

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

b. The financial statements of the Company for the year ended 31 October 2016 were authorised for issue by the Board of Directors on 16 December 2016.

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 Royal Bank of Canada that is not established in the European Economic Area (EEA).

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.

c. 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: corporation tax and carrying value of investment in subsidiary, 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.

These financial statements are presented in Pound Sterling (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 Year ended 31 October 2016

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 are prepared on a going concern basis for the reasons set out in the Directors' Annual Report. Based on a review of the five year management business projections, the current funding, liquidity and capital resources position, the directors believe the company is well placed to manage its business risks successfully. Therefore, the directors 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 financial statements.

Critical accounting estimates and judgements

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 factors including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

(a) Corporation tax (Note 10)

Significant judgement is required in the interpretation of the relevant tax laws and in estimating the provision for current taxes due to uncertainty in timing and amount of current and future taxable income.

(b) Carrying value of investment in subsidiary (Note 4)

The Company tests annually whether the carrying value of investments has suffered any impairment having regard to underlying assets and anticipated future cash flows.

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.

Expense recognition

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

Foreign exchange

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

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

NOTES TO THE FINANCIAL STATEMENTS - continued **Year ended 31 October 2016**

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Investments in subsidiaries

The investments in subsidiaries are included in the statement of financial position at the historic sterling cost less provision for any impairment in value. Impairment is assessed annually at the end of each financial year having regard to underlying assets and anticipated future cash flows and fair market value of the subsidiaries using external comparatives.

Basis of non-consolidation

The Company has not prepared consolidated accounts in accordance with the exemption under International Accounting Standard (IAS) 27 Consolidated and Separate Financial Statements, on the basis that the Company itself is a wholly-owned subsidiary and the shareholder has access to all pertinent information concerning the resources and results of operations of the Royal Bank of Canada. Consolidated financial statements can be requested from the Corporate Secretary's Department, Royal Bank of Canada, 200 Bay Street, 9th Floor, South Tower, Toronto, ON, M5J 2J5.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

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

NOTES TO THE FINANCIAL STATEMENTS - continued

Year ended 31 October 2016

2. SIGNIFICANT ACCOUNTING POLICIES – continued

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. These are as issue by the IASB and have not necessarily yet been adopted by the European Union. Management is currently assessing the impact of adopting the following standards on the financial statements:

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

In July 2014, the IASB issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured at fair value through the Profit and Loss ("FVTPL"), fair value through other comprehensive income or amortised cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement of financial liabilities previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not at FVTPL and a new hedge accounting model that aligns the accounting hedge relationships more closely with an entity's risk management activities. As noted above, the Company adopted the own credit provisions of IFRS 9 during the year. The adoption of the own-credit provisions of IFRS 9 did not have a material impact on the financial statements. IFRS 9 will be effective for the Company no later than 1 November 2017.

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

In May 2014, the IASB issued IFRS 15 which establishes principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard provides a single, principles based five-step model for revenue recognition to be applied to all contracts with customers. In September 2015, the IASB amended IFRS 15 by deferring its effective date by one year. IFRS 15 will be effective for the Company on 1 November 2018.

IAS 7 *Statement of Cash Flows* ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7, which will require specific disclosures for movements in certain liabilities on the statement of cash flow. These amendments will be effective for the Company no later than 1 November 2017.

3. CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
RBC Affiliates – Cash and cash equivalents	13,582	3,668

Amounts due from related parties are unsecured and repayable on demand.

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

NOTES TO THE FINANCIAL STATEMENTS - continued Year ended 31 October 2016

4. INVESTMENTS IN SUBSIDIARIES

	2016 £'000	2015 £'000
Cost and net book value:		
As at start of the year	42,053	34,053
Additions during the year	-	8,000
Disposals during the year	-	-
As at end of the year	42,053	42,053

Details of the Company's subsidiaries are as follows:

Company	Nature of Business	2016 £'000	2015 £'000
Royal Bank of Canada Investment Management (U.K.) Limited	Investment management	38,753	38,753
RBC Global Asset Management (UK) Limited	Investment management	300	300
Royal Bank of Canada Trust Corporation Limited	Trustee	3,000	3,000
At end of the year		42,053	42,053

Subsidiary Total Equity as at 31 October 2016

Company	Share Capital £'000	Retained Earnings £'000	Profit / (Loss) £'000	Total £'000
Royal Bank of Canada Investment Management (UK) Limited	38,753	(30,311)	(3,099)	5,343
RBC Global Asset Management (UK) Limited	300	15,050	15,090	30,440
Royal Bank of Canada Trust Corporation Limited	3,000	3,201	18	6,219
At end of year	42,053	(12,060)	11,852	42,002

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

NOTES TO THE FINANCIAL STATEMENTS - continued

Year ended 31 October 2016

4. INVESTMENTS IN SUBSIDIARIES – continued

All subsidiaries are 100% owned by the Company, incorporated in the United Kingdom and registered in England and Wales. At the financial year end impairment reviews were carried out where there was an indication that an asset may be impaired. IAS 36 states that for investments in subsidiaries, joint ventures or associates, this is where the carrying amount is higher than the carrying amount of the investee's assets, or a dividend exceeds the total comprehensive income of the investee.

At the financial year end there was no indication that RBC Global Asset Management (UK) Limited or Royal Bank of Canada Trust Corporation Limited were impaired. For both subsidiaries their respective equity value was higher than the carrying values.

In respect of Royal Bank of Canada Investment Management (U.K.) Limited ("RBIM UK"), as of 31 October 2016 the carrying amount of £38.75 million was higher than the equity of RBIM UK (£5.34 million) which indicates a potential impairment.

An impairment review was carried out having regard to underlying assets, anticipated future cash flows and fair market value. With consideration to RBIM UK's loss position, but recent growth in assets under management ("AUM") and revenues it was deemed appropriate to undertake impairment reviews that calculate both; the Fair Market Value using AUM and revenue multiple methods and the Value in use.

The Value in use is assessed with regard to the present values of future cash flows, using a 5 year Discounted Cash Flow forecast and earnings to perpetuity. Cash flow projections are based on the latest forecast approved by Senior Management including key assumptions on AUM, Revenue and Cost growth. The discount rate used was 8.5% and long term growth rate of 3%.

Fair Market Value is assessed using AUM and Revenue multiple method valuations, based on using Wealth Management Industry acquisition data comparatives between in the British Isles between 2012 and 2015. The comparative acquisition data includes relevant Price to AUM multiples and Price to Revenue multiples.

The outcome of the impairment review was that there is no impairment as at 31 October 2016.

5. SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted and fully paid:		
610,542,936 (2015: 610,542,936) ordinary shares of £0.03 each (2015: £0.03each)	18,316	18,316

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

NOTES TO THE FINANCIAL STATEMENTS - continued Year ended 31 October 2016

6. RETAINED EARNINGS

	2016 £'000	2015 £'000
As at 1 November	5,106	5,083
Net income	9,926	23
As at 31 October	<u>15,032</u>	<u>5,106</u>

7. INTEREST INCOME

	2016 £'000	2015 £'000
Interest income received from related parties:		
RBC Affiliates	35	47
Total interest income	<u>35</u>	<u>47</u>

8. ADMINISTRATIVE EXPENSES

	2016 £'000	2015 £'000
Audit fees	(28)	15
Other professional services	9	3
Internal charges and others	145	-
Total	<u>126</u>	<u>18</u>

9. REMUNERATION OF DIRECTORS AND EMPLOYEES

None of the Directors serving during the year received any emoluments from the Company (2015: £nil). The Directors received their remuneration from Royal Bank of Canada. The Company has no employees (2015: none).

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

NOTES TO THE FINANCIAL STATEMENTS - continued Year ended 31 October 2016

10. INCOME TAX

	2016 £'000	2015 £'000
UK corporation tax on profit for the year	(18)	6
Prior year adjustment	1	-
	<u>(17)</u>	<u>6</u>

The Company is subject to UK Corporation Tax at an effective rate of 20 % for the financial year 2016 and 20.41% for the financial year 2015.

TAX RECONCILIATION

	2016 £'000	2015 £'000
Profit before tax	9,909	29
Profit before tax multiplied at the UK blended rate of 20% (2015: 20.41%)	<u>1,982</u>	<u>6</u>
Prior year adjustment	1	-
Income exempt from tax	(2000)	-
Total	<u>(17)</u>	<u>6</u>

11. 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 RBC employees, key management personnel ("KMP"), the Board of Directors of RBC ("RBC Directors"), close family members of KMP and RBC Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by KMP, RBC Directors or their close family members.

Key management personnel and Directors

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of RBC, directly or indirectly. They include the senior members of RBC called the Group Executive. The Group Executive is comprised of the President and Chief Executive Officer and individuals that report directly to him, including the Chief Administrative Officer and Chief Financial Officer, Chief Human Resources Officer, Group Chief Risk Officer, and Group Heads for Wealth Management and Insurance, Capital Markets and Investor & Treasury Services, Technology & Operations, and Personal & Commercial Banking. The GE is ultimately responsible for all material decisions of RBC. 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 RBC Directors do not plan, direct, or control the activities of RBC; they oversee the management of the business and provide stewardship.

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

NOTES TO THE FINANCIAL STATEMENTS - continued Year ended 31 October 2016

11. RELATED PARTY TRANSACTIONS - continued

Compensation of key management personnel and RBC Directors

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

	For the year ended ⁽¹⁾	
	2016	2015
	CAD million	CAD million
Salaries and other short-term employee benefits ⁽²⁾	26	21
Post-employment benefits ⁽³⁾	2	2
Share-based payments	41	37
	<u>69</u>	<u>60</u>

(1) KMP and RBC Directors received their remuneration from RBC. No direct compensation is charged to the subsidiary by RBC in respect of the services provided.

(2) Includes the portion of the annual variable short-term incentive bonus that certain executives elected to receive in the form of deferred share units. RBC Directors receive retainers but do not receive salaries and other short-term employee benefits.

(3) RBC Directors do not receive post-employment benefits.

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

	31 October 2016		31 October 2015	
	No. of	Value	No. of units	Value
	units held	CAD million	held	CAD million
Stock options ⁽¹⁾	2,110,038	42	2,494,007	44
Other non-option stock based awards ⁽¹⁾	1,703,221	143	1,485,976	111
RBC common and preferred shares	<u>789,295</u>	<u>66</u>	<u>738,777</u>	<u>55</u>
	<u>4,602,554</u>	<u>251</u>	<u>4,718,760</u>	<u>210</u>

(1) RBC Directors do not receive stock options or any other non-option stock based awards.

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

In the normal course of business, RBC provides certain banking services to KMP, RBC 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.

As at 31 October 2016 total loans to KMP, RBC Directors and their close family members were \$10 million (31 October 2015 - \$7 million). RBC has no allowance or provision for credit losses relating to these loans as at and for the year ended 31 October 2016. No guarantees, pledges or commitments have been given to KMP, RBC Directors or their close family members.

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

NOTES TO THE FINANCIAL STATEMENTS - continued Year ended 31 October 2016

11. RELATED PARTY TRANSACTIONS - continued

Balances with related parties	2016 £'000	2015 £'000
RBC Affiliates – Cash and cash equivalents	13,582	3,668
RBC Affiliates – Group Tax Relief due	18	-
Amounts due to related parties		
RBC Affiliates	(12)	(6)
Net position with Affiliates	<u>13,588</u>	<u>3,662</u>
Transactions with related parties		
	2016 £'000	2015 £'000
Income		
RBC Affiliates – Dividend income	10,000	-
RBC Affiliates – Interest income	35	48
	<u>10,035</u>	<u>48</u>
Expenses		
RBC Affiliates – Cost sharing recoveries	(144)	(1)
	<u>(144)</u>	<u>(1)</u>
Net position with Affiliates	<u>9,891</u>	<u>47</u>

Immediate and ultimate controlling party

Following the group restructuring noted in the prior year, the Company's immediate and ultimate parent Company and controlling party is 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 3BF. Group accounts are also filed at Companies House.

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

NOTES TO THE FINANCIAL STATEMENTS - continued Year ended 31 October 2016

12. FINANCIAL RISK MANAGEMENT

Overview

The Company itself has limited exposure to financial risk. Risk management is carried out at the Company's subsidiaries level as part of a group-wide approach. The board of Directors ("the Board") has overall responsibility for the establishment and ongoing management of the risk management framework. The Board delegates monitoring of the implementation and operation of the Board's policies to the Wealth Management International (the "WMI") Operating Committees, which has the representation of all the business lines and functional areas of subsidiaries.

The WMI Operating Committee then delegates the monitoring of risk to the Wealth Management Risk Committee which oversees how the Company monitors compliance with risk management policies and procedures, whilst reviewing the adequacy of the risk management framework in relation to the risks faced by the Company.

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards, procedures, and training of employees aims to develop a disciplined and constructive control environment in which all employees are involved and understand their roles and obligations.

The Company does not enter into hedging instruments because there is not a material exposure to hedge, nor does the Company enter into speculative financial instruments.

Summary of financial assets and liabilities by category

	2016 £'000	2015 £'000
Financial assets		
Cash and cash equivalents	13,582	3,668
Trade and other Receivables	18	-
	<hr/> 13,600	<hr/> 3,668
Financial liabilities		
Other payables	12	-
Amount due to related parties	-	6
	<hr/> 12	<hr/> 6

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

Risk management

With regard to its operations the Company has exposure to the risks set out below:

- i - Foreign exchange rate risk;
- ii - Credit risk; and
- iii - Liquidity risk.

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

NOTES TO THE FINANCIAL STATEMENTS - continued Year ended 31 October 2016

12. FINANCIAL RISK MANAGEMENT - continued

i – Foreign exchange rate risk

The Company generates its revenues largely from dividend and interest income which is calculated and paid in GBP pound sterling; therefore the Company does not have foreign exchange exposure.

ii – Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty is unable to pay in full amounts when due, and arises principally from the Company's cash and cash equivalents.

Credit risk is considered minimal as the counterparties are fellow subsidiaries therefore there is a low risk of bad debts. As at the Statement of Financial Position date, the Company does not carry significant fee income exposure to any one client.

The maximum exposure to credit risk as at the statement of financial position date is £0.8m (2015: £0.70m)

The ageing of financial assets at the reporting date was:

31 October 2016	1-3 Months £'000	More than 3 months £'000	Total £'000
Cash and cash equivalents	13,582	-	13,582
Tax receivables	-	18	18
	<hr/>	<hr/>	<hr/>
	13,582	18	13,600
	<hr/>	<hr/>	<hr/>
 31 October 2015	 1-3 Months £'000	 More than 3 months £'000	 Total £'000
Cash and cash equivalents	3,668	-	3,668
	<hr/>	<hr/>	<hr/>
	3,668	-	3,668
	<hr/>	<hr/>	<hr/>

iii – Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due or can only do so at a significantly increased cost.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without risking damage to the Company's reputation.

Liquidity risk is also considered minimal as creditors are short term in nature and the Company maintains high levels of liquid cash balances.

The directors are of the opinion that the carrying value of the Company's payables equate to their fair value.

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

NOTES TO THE FINANCIAL STATEMENTS - continued Year ended 31 October 2016

12. FINANCIAL RISK MANAGEMENT - continued

The contractual maturities of financial liabilities at the reporting date were:

31 October 2016

	1-3 Months £'000	More than 3 months £'000	Total £'000
Trade and Other Payables	12	-	12
Current taxation	-	-	-
	<u>12</u>	<u>-</u>	<u>12</u>

31 October 2015

	1-3 Months £'000	More than 3 months £'000	Total £'000
Current taxation	-	6	6
	<u>-</u>	<u>6</u>	<u>6</u>

Capital management

The Company is not a regulated Company and therefore does not require a minimum capital level. However, the Board's policy with respect to capital is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to provide a sufficient base to sustain the future development of the business.

The Company's capital structure consists of common equity shares, retained earnings and capital reserves.