

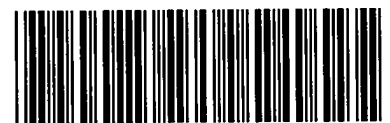
**Company No. 01124733**

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

**Report and Financial Statements**

**31 October 2014**

THURSDAY



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

## **REPORT AND FINANCIAL STATEMENTS 2014**

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

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Stephen Krag  
Mark Clatworthy  
Stuart Rutledge

### **SECRETARY**

Jason Wright

### **REGISTERED OFFICE**

Riverbank House  
2 Swan Lane  
London  
EC4R 3BF

### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
St Helier  
Jersey JE4 8W A  
Channel Islands

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

## STRATEGIC REPORT

### BUSINESS REVIEW

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 8, total income decreased by £2.5 million from the prior year to £0.1 million. The decline in revenue was primarily explained by a £2.5million reduction in dividend income from subsidiary, RBC Global Asset Management (UK) Limited.

The subsidiaries of the company had mixed results. RBC Global Asset Management (UK) Limited made a profit before tax whereas Royal Bank of Canada Investment Management (U.K.) Limited and Royal Bank of Canada Investment Management (USA) Limited made losses before income tax.

Net profit for the year ended 31 October 2014 was £36,000 (2013: £2,583,000).

The Statement of Financial Position of the Company is shown on page 8 of the financial statements. Total assets remain constant in the year (2014: £45.7 million versus 2013: £45.7 million).

During the year the Company purchased 5 million £1 ordinary shares in Royal Bank of Canada Investment Management (U.K.) Limited.

### 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 14 to the financial statements.

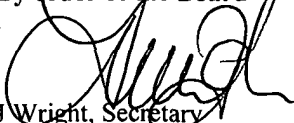
### ENVIRONMENT

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 (2013: nil).

By order of the Board



J Wright, Secretary

6<sup>th</sup> January 2015

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

### **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 October 2014.

### **PRINCIPAL ACTIVITIES**

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

### **RESULTS AND DIVIDENDS**

The net profit for the year ended 31 October 2014 was £36,000 (2013: £2,583,000).

The Directors do not recommend the payment of a dividend (2013: £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 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.

### **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 2014 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 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 issued by the International Accounting Standards Board and as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

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

### **DIRECTORS**

The following served as directors of the company during the year and subsequently, unless stated:

Stephen Krag  
Mark Clatworthy  
Stuart Rutledge

### **SECRETARY**

Jason Wright resigned as company secretary on 27 January 2014. Anna-Marie Davis was appointed on 27 January 2014 and subsequently resigned on 3 March 2014.

Jason Wright was appointed as company secretary on 13 March 2014 and served for the period until the year end and subsequently.

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

### DIRECTORS' REPORT – continued

#### AUDITOR

Deloitte LLP have expressed their willingness to continue in office.

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 10 April 2000 dispensing with the requirement to appoint auditors annually. This election was in force before 1 October 2007. Therefore Deloitte LLP are deemed to continue as auditors.

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

- as far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that he/she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

By order of the Board



Authorised Signatory  
J. Wright,  
Secretary

6<sup>th</sup> January 2015

#### Registered Office

Riverbank House  
2 Swan Lane  
England  
EC4R 3BF

## **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 2014 which comprise of Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 13. 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 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.

### **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 2014 and of its profit 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.

### **Separate opinion in relation to IFRSs as issued by the IASB**

As explained in Note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB). In our opinion the financial statements comply with IFRSs as issued by the IASB.

### **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.



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED – Continued**

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or



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

Date:

6 Januy 2015.

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

## STATEMENT OF FINANCIAL POSITION

For the year ended

	Notes	2014 £'000	2013 £'000
<b>ASSETS</b>			
Cash at bank	3	11,648	16,645
Investments in subsidiaries	4	34,053	29,053
<b>TOTAL ASSETS</b>		<b>45,701</b>	<b>45,698</b>
<b>LIABILITIES</b>			
Amounts due to related parties		9	30
Other liabilities		-	12
<b>TOTAL LIABILITIES</b>		<b>9</b>	<b>42</b>
Common shares	5	18,316	18,316
Retained earnings	6	5,083	5,047
Capital Reserves		22,293	22,293
<b>TOTAL EQUITY</b>		<b>45,692</b>	<b>45,656</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>45,701</b>	<b>45,698</b>

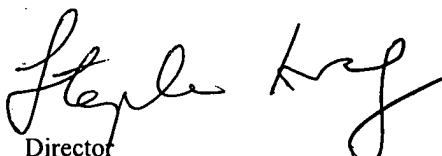
The accompanying notes on pages 11 to 24 form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 6<sup>th</sup> January 2015

Signed on behalf of the Board of Directors



Director  
Name: MARK CLATWORTHY



Director  
Name: STEPHEN KRAG

Company No. 01124733

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

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended

	Notes	2014 £'000	2013 £'000
<b>Income</b>			
Interest income	7	90	135
Dividend income		-	2,500
<b>Total income</b>		<u>90</u>	<u>2,635</u>
<b>Expenses</b>			
Administrative expenses	8	48	22
<b>Total expense</b>		<u>48</u>	<u>22</u>
<b>Profit before tax</b>		<u>42</u>	<u>2,613</u>
Income taxes	10	(6)	(30)
<b>Net income</b>		<u>36</u>	<u>2,583</u>
<b>Total comprehensive income attributable to shareholders</b>		<u>36</u>	<u>2,583</u>

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

The accompanying notes on pages 11 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

	Common shares	Retained earnings	Capital Reserves	Total equity
<b>Balance at 31 October 2012</b>	<b>490,543</b>	<b>102,464</b>	<b>-</b>	<b>593,007</b>
<b>Change in Equity</b>				
Issue of share capital	20,000	-	-	20,000
Capital contribution from parent	-	-	20,066	20,066
Other reserves from disposal investments	(592,227)	-	2,227	(590,000)
Bonus Issue	100,000	(100,000)	-	-
Net income	-	2,583	-	2,583
<b>Balance at 31 October 2013</b>	<b>18,316</b>	<b>5,047</b>	<b>22,293</b>	<b>45,656</b>
Net income	-	36	-	-
<b>Balance at 31 October 2014</b>	<b>18,316</b>	<b>5,083</b>	<b>22,293</b>	<b>45,692</b>

The accompanying notes on pages 11 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

	Notes	2014 £'000	2013 £'000
<b>Cash flows from operating activities</b>			
Profit before income taxes		42	2,613
<b>Adjustments for net changes in operating assets and liabilities</b>			
Decrease/(increase) in trade and other receivables		-	4
(Decrease)/increase in trade and other payables		(12)	12
<b>Cash used in operating activities</b>		30	2,629
Tax paid		27	95
<b>Net cash used in operating activities</b>		3	2,534
<b>Cash flows from investing activities</b>			
Changes in investments in subsidiaries	4	(5,000)	(6,500)
<b>Net cash used in investing activities</b>		(5,000)	(6,500)
<b>Cash flows from financing activities</b>			
Issue of common shares	5	-	20,000
<b>Net cash from financing activities</b>		-	20,000
<b>Net change in cash and cash equivalents</b>		(4,997)	16,034
Cash at bank at beginning of year		16,645	611
<b>Cash at bank at end of year</b>	3	11,648	16,645

The accompanying notes on pages 11 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 2014**

### **1. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union.

The financial statements have been prepared in accordance with all IFRSs issued and effective as at 31 October 2014. The accounting policies set out below were consistently applied to all periods presented.

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.

The financial statements of the Company for the year ended 31 October 2014 were authorised for issue by the Board of Directors on 6 January 2015.

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.

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 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

Year ended 31 October 2014

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

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

#### Going concern

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

#### 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*

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*

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 accruals 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

Year ended 31 October 2014

### 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 at bank**

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

#### **Accounting standards and interpretations adopted during the year**

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements:

##### *IFRS 10 Consolidated Financial Statements ("IFRS 10")*

In May 2011, the IASB issued IFRS 10, which replaces the consolidation requirements in IAS 27 Consolidated and Separate Financial Statements ("IAS 27") and SIC-12 Consolidation – Special Purpose Entities ("SIC-12") and provides a single consolidation model applicable to all types of entities. Under IFRS 10, consolidation is based on control.

Three conditions must be satisfied to have control over an investee: (i) decision making power over the relevant activities, (ii) exposure to variable returns, and (iii) a link between power and returns. The determination of control is based on the current facts and circumstances and is continuously assessed. IFRS 10 contains a substantial amount of application guidance that expands on new and existing principles related to the determination of control. IFRS 10 is effective for the Company on 1 November 2013 with modified retrospective application based on entities in place as at the effective date. The adoption of this standard is not expected to have a material impact on the financial statements.

##### *IFRS 11 Joint Arrangements ("IFRS 11")*

In May 2011, the IASB issued IFRS 11 which requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. IFRS 11 requires a joint operator to recognize and measure the assets and liabilities in relation to its interest in the arrangement, and a joint venture to apply the equity method of accounting. IFRS 11 is effective for the Company on 1 November 2013. The adoption of this standard is not expected to have a material impact on the financial statements



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

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2014

#### 2. SIGNIFICANT ACCOUNTING POLICIES – continued

##### *IFRS 12 Disclosure of Interest in Other Entities* (“IFRS 12”)

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”), which provides enhanced guidance on the annual disclosure requirements of a reporting entity’s interests in other entities. The standard requires an entity to disclose information that helps users to evaluate the nature of, and risks associated with a reporting entity’s interests in subsidiaries, consolidated entities, associates, joint arrangements and, in particular, unconsolidated structured entities (off-balance sheet structures), and the effect of those interests on the entity’s financial position, financial performance and cash flows. IFRS 12 is effective for the Company on 1 November 2013 with disclosure, including comparative periods, required to be presented in the 2014 financial statements.

##### *IAS 27 Separate Financial Statements* (“IAS 27”) and *IAS 28 Investments in Associates and Joint Ventures* (“IAS 28”)

As a consequence of the new IFRS standards IFRS 10, IFRS 11 and IFRS 12, in May 2012, the IASB issued amended and retitled IAS 27, *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. These new requirements are effective for the Company on 1 November 2013. The adoption of these standards is not expected to have a material impact on the financial statements.

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

In May 2011, the IASB issued IFRS 13, which defines fair value and sets out a framework for measuring fair value in a single IFRS. IFRS 13 also requires disclosures about fair value measurements for non-financial assets. The measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value with limited exceptions. IFRS 13 will be effective for the Company on 1 November 2013. The adoption of this standard is not expected to have a material impact on the financial statements.

##### *IFRS 7 Financial Instruments: Disclosures* (“IFRS 7”)

In December 2011, the IASB issued amendments to IFRS 7 regarding disclosure of offsetting financial assets and financial liabilities.

The amendments are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company’s financial position. The amendments will be effective for the Company on 1 November 2013 with disclosure, including comparative periods, required to be presented in the 2014 financial statements.

##### **Standards in issue but not yet effective**

There are a number of standards in issue not yet effective which don’t impact the company. The directors are currently assessing the impact of adopting the following standards on the financial statements:

##### *IAS 32 Financial Instruments: Presentation* (“IAS 32”).

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

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

In November 2009, the IASB issued IFRS 9 as part of its plan to replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 requires financial assets, including hybrid contracts, to be measured at either fair value or amortized cost. In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities previously included in IAS 39. In November 2013, the IASB introduced a new hedge accounting model, and allowed early adoption of the own credit provisions of IFRS 9. It also removed the mandatory effective date of 1 January 2015 and has not proposed a future effective date.

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2014

### 2. SIGNIFICANT ACCOUNTING POLICIES – continued

#### 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. IFRS 15 will be effective for the company on 1 November 2017.

### 3. CASH AT BANK

	2014 £’000	2013 £’000
RBC Affiliates – Cash at bank	11,648	16,645

Amounts due from fellow affiliates are interest free, unsecured and repayable on demand.

### 4. INVESTMENTS IN SUBSIDIARIES

	2014 £’000	2013 £’000
<b>Cost and net book value:</b>		
At start of the year	29,053	592,487
Additions during the year	5,000	6,500
Disposals during the year	-	(569,934)
At end of the year	34,053	29,053

Details of the Company’s subsidiaries are as follows:

Company	Nature of Business	2014 £’000	2013 £’000
Royal Bank of Canada Investment Management (U.K.) Limited	Investment management	25,753	20,753
RBC Global Asset Management (UK) Limited	Investment management	5,300	5,300
Royal Bank of Canada Trust Corporation Limited	Trustee	3,000	3,000
At end of the year		34,053	29,053

Movement in ordinary shares is explained in note 5.

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2014

### 4. INVESTMENTS IN SUBSIDIARIES – continued

Company	Share Capital £'000	Retained Earnings £'000	CYR Profit/(Loss) £'000	Total £'000
Royal Bank of Canada Investment Management (U.K.) Limited	30,550	(21,375)	(4,584)	4,591
RBC Global Asset Management (UK) Limited	300	4,100	3,994	8,394
Royal Bank of Canada Trust Corporation Limited	3,000	3,398	312	6,710
At end of the year	<u>33,850</u>	<u>(13,877)</u>	<u>(278)</u>	<u>19,695</u>

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, jointventures 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"), the carrying amount and equity differential did indicate a potential impairment and therefore 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 impressive 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 (using external comparatives) and the Value in use. The outcome of the reviews was that there is no impairment as at 31 October 2014.

### 5. COMMON SHARES

	2014 £'000	2013 £'000
Allotted and fully paid:		
610,542,936 (2013: 610,542,936) ordinary shares of £0.03 each (2013: £0.03each)	18,316	18,316

During the year, the Company did not receive any cash dividend (2013: £2.5 million) from RBC Global Asset Management (U.K.) Limited. During the year, the Company purchased 5,000,000 shares from Royal Bank of Canada Investment Management (U.K.) Limited at nominal value of £1 each.

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2014

### 6. RETAINED EARNINGS

	Note	2014 £'000	2013 £'000
As at 1 November	5,047	102,464	
Net income		36	2,583
Bonus issue	5	-	(100,000)
As at 31 October		<u>5,083</u>	<u>5,047</u>

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.

### 7. INTEREST INCOME

	2014 £'000	2013 £'000
<b>Interest income received from related parties:</b>		
RBC Europe Ltd	90	135
Third parties	-	-
<b>Total interest income</b>	<u>90</u>	<u>135</u>

### 8. ADMINISTRATIVE EXPENSES

	2014 £'000	2013 £'000
Audit fees	15	12
Other professional services	33	10
<b>Total</b>	<u>48</u>	<u>22</u>

### 9. REMUNERATION OF DIRECTORS AND EMPLOYEES

None of the Directors serving during the year received any emoluments from the Company (2013: £Nil). The Directors received their remuneration from Royal Bank of Canada. The Company has no employees (2013: none).

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2014

### 10. INCOME TAX

	2014 £'000	2013 £'000
UK corporation tax on profit for the year	9	30
Prior year deferred tax credit	(3)	-
	<u>6</u>	<u>30</u>

The Company is subject to UK Corporation Tax at 21% for the financial year 2014 and 23% for the financial year 2013.

### TAX RECONCILIATION

	2014 £'000	2013 £'000
Profit before tax	42	2,613
Profit before tax multiplied at the UK blended rate of 21.83% (2013: 23.41%)	9	615
Prior year adjustment	(3)	-
Income exempt from tax	-	(585)
<b>Total</b>	<u>6</u>	<u>30</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 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.

#### Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of RBC and its subsidiaries, directly or indirectly. They include the senior executives of RBC called the Group Executive (GE). The GE is comprised of the President and Chief Executive Officer and those individuals that report directly to him, including the Chief Administrative Officer and Chief Financial Officer, Chief Human Resources Officer, Chief Risk Officer, and heads of our business units.

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 Directors of RBC 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

Year ended 31 October 2014

### 11. RELATED PARTY TRANSACTIONS - continued

#### Compensation of key management personnel and Directors

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

	2014 <sup>(1) (2)</sup> CAD million	2013 <sup>(1)</sup> CAD million
Salaries and other short-term employee benefits <sup>(3)</sup>	22	23
Post-employment benefits	7	3
Share-based payments	26	30
	<u>55</u>	<u>56</u>

- (1) Key management personnel and Directors received their remuneration from RBC. No direct compensation is charged to the subsidiary by RBC in respect of the service provided.
- (2) During the period, executives who were members of the Bank's Group Executive as at 31 October 2013 left the Bank and are no longer part of key management personnel. Total compensation and payouts from previous grant awards attributable to the former members of Group Executive for the year ended 31 October 2014 was CAD 56 million.
- (3) Includes the portion of the annual variable short-term incentive bonus that certain executives elected to receive in the form of deferred share units.

#### Stock options, stock awards and shares held by key management personnel, Directors and their close family members

	31 October 2014 <sup>(4)</sup>		1 November 2013	
	No. of units held	Value CAD million	No. of units held	Value CAD million
Stock options	2,851,012	78	4,566,316	84
Other non-option stock based awards (3)	1,588,103	127	2,467,532	173
RBC common shares	<u>776,563</u>	<u>62</u>	<u>1,485,843</u>	<u>104</u>
	<u>5,215,678</u>	<u>267</u>	<u>8,519,691</u>	<u>361</u>

- (4) During the period, executives who were members of the Bank's Group Executive as at 31 October 2013 left the Bank and are no longer part of key management personnel. Total stock options, stock awards and shares held upon their departure was 2,850,240 units with a value of CAD 164 million.

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2014

### 11. RELATED PARTY TRANSACTIONS - continued

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

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

As at 31 October 2014, total loans to key management personnel, Directors and their close family members are CAD 7 million (31 October 2013 – CAD 6 million). No guarantees, pledges or commitments have been given to key management personnel, Directors or their close family members.

Balances with related parties	2014 £'000	2013 £'000
RBC Affiliates – Cash at bank	11,648	16,645
Amounts due to related parties		
RBC Affiliates – Group Tax due	(9)	(30)
Net position with Affiliates	<u>11,639</u>	<u>16,615</u>

#### Transactions with related parties

	2014 £'000	2013 £'000
Income		
RBC Affiliates – Dividend income	-	2,500
RBC Affiliates – Interest income	90	135
	<u>90</u>	<u>2,635</u>
Expenses		
RBC Affiliates – Cost sharing recoveries	2	-
	<u>2</u>	<u>-</u>
Net position with Affiliates	<u>92</u>	<u>2,635</u>

#### Immediate and ultimate controlling party

Following the group restructuring noted in the prior year, 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 3BF. Group accounts are also filed at Companies House.

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

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2014

#### 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, of subsidiaries, 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.

##### 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.

##### 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.



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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2014

### 12. FINANCIAL RISK MANAGEMENT - continued

The maximum exposure to credit risk as at the statement of financial position date is £2.329m (2013: £3.329m).

The ageing of financial assets at the reporting date was:

31 October 2014	1-3 months £'000	More than 3 months £'000	Total £'000
Cash at bank	11,647	-	11,647
	<hr/>	<hr/>	<hr/>
	11,647	-	11,647
	<hr/>	<hr/>	<hr/>
31 October 2013	1-3 months £'000	More than 3 months £'000	Total £'000
Cash at bank	16,645	-	16,645
	<hr/>	<hr/>	<hr/>
	16,645	-	16,645
	<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

Year ended 31 October 2014

### 12. FINANCIAL RISK MANAGEMENT - continued

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

#### 31 October 2014

	1-3 months £'000	More than 3 months £'000	Total £'000
Current taxation	-	9	9
Other liabilities	-	-	-
	<u>-</u>	<u>9</u>	<u>9</u>

#### 31 October 2013

	1-3 months £'000	More than 3 months £'000	Total £'000
Current taxation	-	30	30
Other liabilities	12	-	12
	<u>12</u>	<u>30</u>	<u>42</u>

#### Capital management

The Company is not a regulated company and therefore does not require a minimum capital 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.

### 13. SUBSEQUENT EVENTS

On 27 November 2014, the Company purchased 2,000,000 ordinary shares of £1 each in subsidiary company Royal Bank of Canada Investment Management (U.K.) Limited.