

Company No. 01124733

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 OCTOBER 2017**

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

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## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2017**

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

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## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Clive Brown  
Mark Clatworthy  
Stephen Krag

### **SECRETARY**

Charlotte Birks

### **REGISTERED OFFICE**

Riverbank House  
2 Swan Lane  
London  
EC4R 3BF

### **INDEPENDENT AUDITOR**

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

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

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2017.**

The directors present their strategic report of Royal Bank of Canada Holdings (U.K.) Limited for the year ended 31 October 2017.

#### **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 10, total interest income increased by £0.04 million from prior year to £0.08 million. Total income included a dividend of £6 million received from RBC Global Asset Management (UK) Limited in the year ended 31 October 2017 (2016: £10 million).

Total cost decreased by £0.11 million from prior year to £0.02 million (2016: £0.13 million).

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

Net profit for the year ended 31 October 2017 was £6.05 million (2016: £9.93 million).

The Statement of Financial Position of the Company is shown on page 9 of the financial statements. Total assets increased in the year (2017: £61.72 million versus 2016: £55.65 million).

During the year the Company purchased £3 million shares in Royal Bank of Canada Investment Management (U.K.) Limited (2016: £nil million).

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

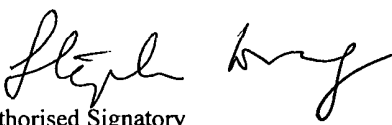

The Company's business activities are limited as a holding Company and therefore it is not extensively exposed to risks other than credit and liquidity risks.

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. Details can be found in the Corporate Responsibility Report of Royal Bank of Canada, incorporated in Canada. This policy is applicable to Royal Bank of Canada Holdings (U.K.) Limited.

**By order of the Board**

  
Authorised Signatory  
Director  
Name: 

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

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## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of Royal Bank of Canada Holdings (U.K.) Limited (the "Company") for the year ended 31 October 2017.

## **INCORPORATION**

The Company is incorporated in United Kingdom.

## **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

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

## **RESULTS**

The net profit for the year ended 31 October 2017 was £6.05 million (2016: £9.93 million).

## **ACCOUNTING STANDARDS**

The financial statements are prepared in accordance with all International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and as per the requirements of the Companies Act 2006 as applicable to companies using IFRS and in effect as at 31 October 2017.

## **GOING CONCERN**

The Company has reported an operating profit for the year. The directors have a reasonable expectation, based on a review of budgets 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.

## **DIVIDEND**

No dividend was paid or proposed in the year ended 31 October 2017 (2016: £nil)

## **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.

## **CAPITAL STRUCTURE**

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

## **DIRECTORS**

The present directors are shown on page 2 and have all served throughout the year and subsequently except as noted below;

S Rutledge	(Resigned 2 May 2017)
C Brown	(Appointed 2 May 2017)

The Company is a wholly owned subsidiary of Royal Bank of Canada. None of the directors have any disclosable interests in the shares of the Company or any other group company with the exception of the ultimate parent company. The latter is incorporated outside the United Kingdom, and thus the directors are exempt from disclosing their interests in its shares or debentures.

## **SECRETARY**

The present secretary of the Company is shown on page 2 and has served throughout the year and subsequently.

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

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### **DIRECTORS' REPORT – CONTINUED**

#### **NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Company makes use of financial instruments in the conduct of its business. The Company's principal risks and uncertainties and financial risk management objectives and policies are discussed in Note 12 of the financial statements.

#### **INDEPENDENT AUDITOR**


PricewaterhouseCoopers CI LLP have expressed their willingness to continue as the Company's auditor.

Each of the persons who is a director at the date of approval of the financial statements confirms that:

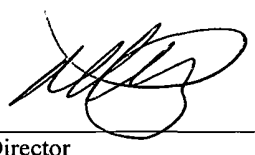
1. as far as each of the directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
2. the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information 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.

Approved by the Board of Directors and signed on behalf of the Board

  
\_\_\_\_\_  
Director

15 December 2017

  
\_\_\_\_\_  
Director

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

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### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Companies Act 2006 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 (IFRSs) as issued by the International Accounting Standards Board and as adopted by the European Union. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, the directors are also required to:

- properly select and apply accounting policies;
- make judgements and estimates that are reasonable and prudent;
- 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 confirm that they have complied with the above requirements in preparing the financial statements.

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.

# ***Independent auditor's report to the members of Royal Bank of Canada Holdings (U.K.) Limited (the "Company")***

## **Report on the audit of the financial statements**

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### **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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 October 2017; the Statement of comprehensive income, the Statement of cash flows, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and with SEC Independence Rules, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.



# ***Independent auditor's report to the members of Royal Bank of Canada Holdings (U.K.) Limited (the "Company") (continued)***

## ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 October 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### ***Use of this report***

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.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Karl Hairon (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers CI LLP  
Chartered Accountants and Statutory Auditors  
Jersey, Channel Islands  
15 December 2017

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

### STATEMENT OF FINANCIAL POSITION

As at 31 October 2017

(Thousands of British Pounds)	Notes	2017	2016
<b>Current Assets</b>			
Cash and cash equivalents	3	16,666	13,582
Trade and other receivables		-	18
		16,666	13,600
<b>Non-current assets</b>			
Investments in subsidiaries	4	45,053	42,053
<b>Total assets</b>		61,719	55,653
<b>Liabilities</b>			
Trade and other payables		33	12
<b>Total liabilities</b>		33	12
<b>Equity</b>			
Share Capital	5	18,316	18,316
Retained Earnings	6	21,077	15,032
Capital Reserves		22,293	22,293
<b>Total equity attributable to shareholders</b>		61,686	55,641
<b>Total liabilities and equity</b>		61,719	55,653

The accompanying notes on pages 13 to 24 form an integral part of the financial statements.

Approved and authorised by the Board of Directors on 15 December 2017

Signed on behalf of the Board of Directors



Director  
Name:



Director  
Name:

Company No. 01124733

**ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED****STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 October 2017**

(Thousands of British Pounds)	Notes	2017	2016
<b>Income</b>			
Interest income	7	77	35
Dividend income		6,000	10,000
<b>Total revenue</b>		<b>6,077</b>	<b>10,035</b>
<b>Expenses</b>			
Administrative expenses	8	20	126
<b>Total expense</b>		<b>20</b>	<b>126</b>
<b>Income before income taxes</b>		<b>6,057</b>	<b>9,909</b>
Income taxes	10	(12)	17
<b>Total comprehensive income for the year</b>		<b>6,045</b>	<b>9,926</b>
<b>Total comprehensive income attributable to shareholders</b>		<b>6,045</b>	<b>9,926</b>

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

The accompanying notes on pages 13 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 2017**

(Thousands of British Pounds)	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Capital Reserves</b>	<b>Total Equity</b>
<b>Balance at 1 November 2015</b>	18,316	5,106	22,293	45,715
Total comprehensive income for the year	-	9,926	-	9,926
<b>Balance at 31 October 2016</b>	18,316	15,032	22,293	55,641
Total comprehensive income for the year	-	6,045	-	6,045
<b>Balance at 31 October 2017</b>	18,316	21,077	22,293	61,686

The accompanying notes on pages 13 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 2017

(Thousands of British Pounds)	Notes	2017	2016
<b>Cash flows from operating activities</b>			
Income before income taxes		6,057	9,909
<b>Changes in operating assets and liabilities</b>			
Trade and other payables		11	12
		6,068	9,921
Income taxes received (paid)		16	(7)
<b>Cash generated from operating activities</b>		6,084	9,914
<b>Cash flows from investing activities</b>			
Changes in investments in subsidiaries	4	(3,000)	-
<b>Net cash (used in) investing activities</b>		(3,000)	-
<b>Net change in cash and cash equivalents</b>		3,084	9,914
Cash and cash equivalents at beginning of year		13,582	3,668
<b>Cash and cash equivalents at end of year</b>	3	16,666	13,582

The accompanying notes on pages 13 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 2017

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### 1. GENERAL INFORMATION

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 address of the Company’s registered office is Riverbank House, 2 Swan Lane, London EC4R 3BF.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued and in effect as at 31 October 2017 by the International Accounting Standards Board (IASB) and as adopted by the European Union.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates with the exception of Note 11 where disclosure relating to key management personnel and directors is in Canadian dollars, as indicated, this being the functional currency of the parent bank, Royal Bank of Canada.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

##### i) Statement of compliance

The financial statements have been prepared in accordance with IFRS as issued by the IASB, adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC).

##### ii) Historical cost convention

The financial statements have been prepared on a historical cost basis. The particular accounting policies adopted by the directors are described below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### b) Going concern

The directors have made an assessment of the Company’s ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### c) 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.

#### d) Use of estimates and assumptions

In preparing the financial statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other factors including expectations of future events that are believed to be reasonable.

#### e) Significant accounting judgements

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

##### i. 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.

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

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2017

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#### 2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*ii. 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.

**f) Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at Statement of Financial Position date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured at historical cost are translated into sterling at historical rates.

**g) 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.

**h) Trade and other receivables**

Trade and other receivables are initially recognised at fair value. Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**i) 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.

**j) Trade and other payables**

Trade and other payables are initially recognised at the invoice amount and subsequently measured at amortised cost.

**k) 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.

**l) Expense recognition**

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

**m) Income Taxes**

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction. Taxable income differs from net income 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 current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted by the end of the reporting period in the countries where the Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situation in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2017

### 2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### n) 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. The Directors are currently assessing the impact of adopting the standards listed below on the financial statements:

#### *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 contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. Accordingly, the majority of the revenue, is not expected to be impacted. In April 2016, the IASB issued amendments to IFRS 15, which clarify the underlying principles of IFRS 15 and provide additional transitional relief on initial application. IFRS 15 and its amendments will be effective for the Company on 1 November 2018.

#### *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 as at FVTPL and a new hedge accounting model that aligns the accounting hedge relationships more closely with an entity's risk management activities. The Company's implementation of IFRS 9 is part of a comprehensive enterprise-wide program led by RBC. The initial focus of the enterprise-wide program was the design and implementation of systems, models, policies and controls to support RBC's consolidated financial statements. While significant efforts have been undertaken at the subsidiary level, work is still ongoing to refine the enterprise-wide approach for the unique portfolio and environmental attributes of each individual subsidiary of RBC, including key areas of judgment such as the determination of significant increases in credit risk and the application of forward looking macroeconomic scenarios. Accordingly, the directors are not yet in a position to make a reliable estimate of the expected impact of the adoption of IFRS 9 on the financial statements of the Company. IFRS 9 will be effective for the Company no later than 1 November 2017.

#### *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 Flows. These amendments will be effective for the Company no later than 1 November 2017 and the Company is required to adopt these disclosures in the 2018 financial statements.

### 3. CASH AND CASH EQUIVALENTS

(Thousands of British Pounds)	2017	2016
RBC Affiliates - Cash and cash equivalents	16,666	13,582

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



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

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 October 2017

### 4. INVESTMENTS IN SUBSIDIARIES

(Thousands of British Pounds)	2017	2016
<b>Cost and net book value:</b>		
As at start of the year	42,053	42,053
Additions during the year	3,000	-
Disposals during the year	-	-
As at end of the year	45,053	42,053

Details of the Company's subsidiaries are as follows:

The registered office address of all the subsidiaries is Riverbank House, 2 Swan Lane, London EC4R 3BF.

(Thousands of British Pounds)			
Company	Nature of Business	2017	2016
Royal Bank of Canada Investment Management (U.K.) Limited <sup>1</sup>	Investment management	41,753	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		45,053	42,053

### Subsidiary Total Equity as at 31 October 2017

(Thousands of British Pounds)						+
Company	Share Capital	Retained Earnings	Profit/(Loss)	Dividend	Total	
Royal Bank of Canada Investment Management (U.K.) Limited <sup>1</sup>	41,753	(33,389)	(1,737)	-	6,627	
RBC Global Asset Management (UK) Limited	300	20,110	24,611	(6,000)	39,021	
Royal Bank of Canada Trust Corporation Limited	3,000	3,219	3	-	6,222	
At end of the year	45,053	(10,060)	22,877	(6,000)	51,870	

<sup>1</sup>On 1<sup>st</sup> September 1993 Royal Bank of Canada Holdings (U.K.) Limited purchased Royal Trust Investment Management Limited (now Royal Bank of Canada Investment Management (U.K.) Limited) for consideration and stamp duty of £1,396,000 of which £1,043,000 was written off as goodwill. This equates to a net investment in subsidiary of £353,000 in Royal Bank of Canada Holdings (U.K.) which was disclosed at the time as "Subsidiary Shares". The called up share capital in Royal Bank of Canada Investment Management (U.K.) Limited was £150,000 when it was purchased. The difference of £203,000 is the price paid over and above the nominal value of these shares.

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

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2017

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#### 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 2017 the carrying amount of £41.75 million was higher than the equity of RBIM UK (£6.63 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 9.5% 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 2017. 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 2017.

#### 5. SHARE CAPITAL

(Thousands of British Pounds)	2017	2016
Issued, allotted and fully paid:		
610,542,936 (2016: 610,542,936) ordinary shares of £0.03 each (2016: £0.03each)	18,316	18,316

Each issued share carries the right of one vote per share.

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2017

### 6. RETAINED EARNINGS

(Thousands of British Pounds)	2017	2016
As at 1 November	15,032	5,106
Total comprehensive income for the year	6,045	9,926
As at 31 October	21,077	15,032

### 7. INTEREST INCOME

(Thousands of British Pounds)	2017	2016
<b>Interest income received from related parties:</b>		
RBC Affiliates	77	35
<b>Total interest income</b>	<b>77</b>	<b>35</b>

### 8. ADMINISTRATIVE EXPENSES

(Thousands of British Pounds)	2017	2016
Audit fees	11	(28)
Other professional services	8	9
Internal charges and others	1	145
<b>Total</b>	<b>20</b>	<b>126</b>

### 9. REMUNERATION OF DIRECTORS AND EMPLOYEES

None of the Directors serving during the year received any emoluments from the Company (2016: £nil). The Directors received their remuneration from other companies. The Company has no employees (2016: none).

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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2017

### 10. INCOME TAX

(Thousands of British Pounds)	2017	2016
UK corporation tax on Income/(loss) for the year	11	(18)
Adjustment for prior years	1	1
	12	(17)

The Company is subject to UK Corporation Tax at an effective rate of 19.41% for the financial year 2017 and 20% for the financial year 2016.

### TAX RECONCILIATION

(Thousands of British Pounds)	2017	2016
Income before income taxes	6,057	9,909
Profit before tax multiplied at the UK blended rate of 19.41% (2016: 20%)	1,176	1,982
Prior year adjustment	1	1
Income exempt from tax	(1,165)	(2,000)
<b>Total</b>	<b>12</b>	<b>(17)</b>

### 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, Chief Strategy & Corporate Development 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 Year ended 31 October 2017

### 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 <sup>(1)</sup>

(CAD million)	2017	2016
Salaries and other short-term employee benefits <sup>(2)</sup>	33	26
Post-employment benefits <sup>(3)</sup>	2	2
Share based payments	37	41
	72	69

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

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

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

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

#### As at 31 October

	2017		2016	
	No. of units held	Value CAD million	No. of units held	Value CAD million
Stock options <sup>(1)</sup>	2,174,841	60	2,110,038	42
Other non-option stock based awards <sup>(1)</sup>	1,371,104	138	1,703,221	143
RBC common shares and preferred shares	632,631	64	789,295	66
	4,178,576	262	4,602,554	251

(1) 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 2017 total loans to KMP, RBC Directors and their close family members were \$10 million (31 October 2016 - \$10 million). RBC has no allowance or provision for credit losses relating to these loans as at and for the year ended 31 October 2017. 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

Year ended 31 October 2017

### 11. RELATED PARTY TRANSACTIONS - CONTINUED

#### Balances with related parties

(Thousands of British Pounds)	2017	2016
<b>Amounts due from related parties</b>		
RBC Affiliates – Cash and cash equivalents	16,666	13,582
RBC Affiliates – Trade and other receivables	-	18

#### Transactions with related parties

(Thousands of British Pounds)	2017	2016
<b>Income</b>		
RBC Affiliates – Dividend income	6,000	10,000
RBC Affiliates – Interest income	77	35
	6,077	10,035
<b>Expenses</b>		
RBC Affiliates – Cost sharing	-	(144)
	-	(144)

#### 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 Riverbank House, 2 Swan Lane, London EC4R 3BF. Group accounts are also filed at Companies House.

#### Affiliates

In the normal course of business, the Company enters into transactions with affiliates. Affiliates include direct and indirect subsidiaries of the parent bank, RBC.

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

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2017

#### 12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### 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 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

(Thousands of British Pounds)	2017	2016
<b>Financial assets</b>		
Cash and cash equivalents	16,666	13,582
Trade and other Receivables	-	18
	16,666	13,600
<b>Financial liabilities</b>		
Other payables	33	12
	33	12

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

Year ended 31 October 2017

#### 12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS - 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 expected maturity of financial assets at the reporting date was:

(Thousands of British Pounds)	1-3 months	3-6 Months	Over 6 months	Total
<b>31 October 2017</b>				
Cash and cash equivalents	16,666	-	-	16,666
	16,666	-	-	16,666
<b>31 October 2016</b>				
Cash and cash equivalents	13,582	-	-	13,582
Trade and other receivables	-	-	18	18
	13,582	-	18	13,600

##### 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 and cash equivalents balances.

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



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

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 October 2017

#### 12. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS - CONTINUED

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

(Thousands of British Pounds)	Less than 6 months	6 months to 1 year	1-5 year	Total
<b>31 October 2017</b>				
Trade and Other Payables	11	22	-	33
	11	22	-	33

#### 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.