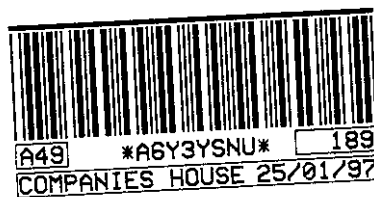


Company No. 1124733

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

REPORT AND FINANCIAL STATEMENTS

31st October 1996



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

REPORT OF THE DIRECTORS

For the year ended 31st October 1996

The directors present their annual report and the audited financial statements for the year ended 31st October, 1996.

Activity

The principal activity of the company is the holding of investments.

During the year additional share capital was issued to enable the company to make further investments in its subsidiaries.

Results

The loss after taxation for the year of £61,000 (1995: profit £40,489,000) was transferred from reserves. The directors do not propose the payment of a dividend.

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

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

REPORT OF THE DIRECTORS (contd)

For the year ended 31st October 1996

Directors

The following served as directors throughout the year except as shown below:

Professor Sir James Ball	
C.S. Brown	(Appointed 1st November 1996)
P.M. Cutts	(Resigned 1st November 1996)
C.J.H. Fisher	
R.E. Stanley	

The company is an indirect wholly owned subsidiary of Royal Bank of Canada. None of the directors has any disclosable interest 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 UK, and thus the directors are exempt from disclosing their interests in its shares or debentures.

Auditors

On 1st February 1996 our auditors changed the name under which they practise to Deloitte & Touche and accordingly, have signed their report in their new name. Deloitte & Touche have expressed their willingness to continue in office as auditors.

Approved by the Board of directors and signed on behalf of the Board.



C.J.H. Fisher
Secretary

23rd December, 1996.

AUDITORS' REPORT TO THE MEMBERS

of

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

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st October 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
and Registered Auditors

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

24 December, 1996

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDPROFIT AND LOSS ACCOUNTFor the year ended 31st October 1996

	Note	1996 £'000	1995 £'000
Interest receivable	2	233	1,065
Exceptional items	4	(364)	27,265
Income from shares in group undertakings		250	12,575
Administrative expenses		(182)	(56)
		-----	-----
Operating (loss)/profit on ordinary activities before taxation	2	(63)	40,849
Tax on (loss)/profit on ordinary activities	7	2	(360)
		-----	-----
(Loss)/profit on ordinary activities after taxation		(61)	40,489
		=====	=====

There were no other recognised gains or losses in the current and preceding financial years.

The results for the current and preceding financial years reflect continuing activities.

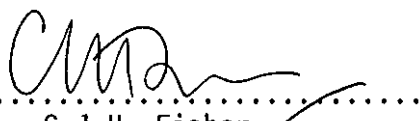
STATEMENT OF MOVEMENT ON RESERVES

	1996 £'000	1995 £'000
Profit and loss account brought forward	(22,275)	(62,764)
(Loss)/profit for the financial year	(61)	40,489
	-----	-----
Profit and loss account carried forward	(22,336)	(22,275)
	=====	=====

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDBalance sheet at 31st October 1996

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Interests in subsidiaries	5	233,905	182,287
Other investments		7	18
		-----	-----
		233,912	182,305
		-----	-----
CURRENT ASSETS			
Amounts owed by parent companies		1,756	1,550
Amounts owed by subsidiaries		11,700	18,900
Prepayments and accrued income		1	1
		-----	-----
		13,457	20,451
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts owed to subsidiaries		(37,114)	(35,816)
Other creditors including taxation		(218)	(575)
		-----	-----
NET CURRENT LIABILITIES		(23,875)	(15,940)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		210,037	166,365
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Loans from parent companies	6	(159,695)	(159,695)
PROVISIONS AGAINST LOSSES OF SUBSIDIARY UNDERTAKINGS	9	(7,920)	(7,190)
		-----	-----
		42,422	(520)
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	8	64,758	21,755
Profit and loss account		(22,336)	(22,275)
		-----	-----
EQUITY SHAREHOLDERS' FUNDS		42,422	(520)
		=====	=====

The financial statements were approved by the Board of Directors on 23rd December, 1996. Signed on behalf of the Board.

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 C.J.H. Fisher
 Director

.....

 C.S. Brown
 Director

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDReconciliation of Movements in Shareholders' FundsFor the year ended 31st October 1996

	1996 £'000	1995 £,000
(Loss)/profit for the financial year	(61)	40,489
Issue of shares	43,003	-
	-----	-----
Net addition to shareholders funds	42,942	40,489
Opening shareholders' funds	(520)	(41,009)
	-----	-----
Closing shareholders' funds	42,422	(520)
	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st October 1996

1. Accounting policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below:

- (a) The financial statements are prepared under the historical cost convention. Group financial statements are not prepared as the company is a wholly owned subsidiary of a company incorporated in the European Community for whom consolidated financial statements are filed in the UK.
- (b) Foreign currency balances are translated at exchange rates ruling at the year end. Resultant movements are dealt with through the profit and loss account. Foreign currency transactions during the year are translated at the rates ruling on the relevant transaction dates.
- (c) Premiums payable on forward foreign exchange contracts, entered into as hedging transactions, are amortised to the profit and loss account evenly over the period of the contract. Balance sheet figures do not include the gross amount of forward purchases and sales.
- (d) Investments in subsidiaries are stated at cost or lower valuation where in the opinion of the directors a permanent diminution in value has been sustained.

Other unlisted investments are held at cost less provisions, which the directors consider to be a fair valuation.
- (e) Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.
- (f) Goodwill upon acquisition is written off direct to reserves.
- (g) The company has adopted FRS1 (revised), and in accordance with the provisions contained therein, no cash flow statement has been prepared.

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (cont'd)For the year ended 31st October 19962. Operating (loss)/profit on ordinary activities before taxation

Operating (loss)/profit on ordinary activities before taxation is after charging:

	1996 £'000	1995 £'000
Auditors' remuneration - audit	16	19
- non-audit	3	-
	=====	=====

Interest receivable is mainly derived from placements to UK group companies.

3. Emoluments of directors and employees

(a) The emoluments of the Chairman and highest paid director were £2,000 (1995: £1,672).

(b) The emoluments of the other directors who discharged their duties wholly or mainly within the United Kingdom were within the indicated ranges:-

	1996	1995
£0 - £5,000	-	1
	=====	=====

No disclosable emoluments were paid in respect of any other directors, in the year to 31st October, 1996 (1995: £Nil).

(c) The company has no employees (1995: Nil).

4. Exceptional items

	1996 £'000	1995 £'000
(Increase)/release of provision against interests in and losses of subsidiary undertakings	(364)	27,265
	=====	=====

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (Cont'd)For the year ended 31st October 19965. Interests in subsidiaries

	Subsidiary Shares £'000
Cost:	
At 1st November 1995	193,038
Additions	51,203

At 31st October 1996	244,241

Provisions:	
At 1st November 1995	10,751
Released in the year	415

At 31st October 1996	10,336

Net Book Value:	
At 31st October 1996	233,905
	=====
At 31st October 1995	182,287
	=====

Details of the Company's subsidiaries are as follows:-

<u>Company</u>	<u>Business</u>
Chancellor Investments Limited	In liquidation
Royal Bank of Canada Europe Limited	Banking
and its wholly owned subsidiaries:	
Kingfisher Drilling Limited	Dormant
Orion Cayman Limited (Cayman Islands)	Finance
Orion Royal Bank Limited	Dormant
Orion Leasing Holdings Limited	Leasing
and its subsidiary	
Orion Finance Limited	Leasing
Montco Nominees Limited	Nominee
Roytru Nominees Limited	Nominee

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (Cont'd)For the year ended 31st October 1996

<u>Company</u>	<u>Business</u>
Roycan Nominees Limited	Nominee
RBC Properties (London) Limited	Property
RBC Properties (Stamford Street) Limited	Property
Orion Royal Bank Participations Limited	Holding company
Royal Bank of Canada Trust Corporation Limited	Trustee
RBC Pension Trustees Limited	Trustee
Royal Bank of Canada Trade Finance Limited	Trade finance
The Royal Bank of Canada Trade Credit Limited	Dormant
The Royal Bank of Canada Forfait Finance Limited	Dormant
The Royal Bank of Canada Export Credit Limited	Dormant
Royal Bank of Canada Investment Management (U.K.) Limited	Investment management
Roy Nominees Limited	Nominee

All subsidiaries are 100% owned, incorporated and registered in England except where shown.

6. Loans from parent companies

	1996 £'000	1995 £'000
Subordinated unsecured repayable interest free:		
in equal annual instalments 2006-2015	16,100	16,100
in equal annual instalments 2007-2016	2,200	2,200
30th September 2006	7,650	7,650
23rd October 2009	31,234	31,234
29th October 2010	8,000	8,000
2nd August 2011	17,000	17,000
31st October 2011	13,000	13,000
16th December 2011	64,511	64,511
	-----	-----
	159,695	159,695
	=====	=====

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (Cont'd)For the year ended 31st October 19967. Tax on (loss)/profit on ordinary activities

	1996 £'000	1995 £'000
Corporation tax at 33% (1995 - 33%)		
- Current year	-	362
- Prior year	(2)	9
Deferred tax credit	-	(11)
	-----	-----
	(2)	360
	=====	=====

No corporation tax charge/(credit) arises on the loss for the year. There are losses of approximately £2.5 million available for surrender to another group company for nil consideration.

8. Called up share capital

	1996 £'000	1995 £'000
Authorised:		
50,000,000 ordinary shares of £1 each	50,000	50,000
140,000,000 ordinary shares of US\$1 each	86,006	-
	-----	-----
	136,006	50,000
	=====	=====
Allotted and fully paid:		
21,754,572 ordinary shares of £1 each	21,755	21,755
70,000,000 ordinary shares of US\$1 each	43,003	-
	-----	-----
	64,758	21,755
	=====	=====

During the year 70,000,000 ordinary shares of US\$1 each were allotted at par to enable the company to make further investments in its subsidiaries. The US\$1 ordinary shares rank pari passu in all respects with the existing £1 ordinary shares.

ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTS (Cont'd)For the year ended 31st October 19969. Provisions against losses of subsidiary undertakings

	1996 £'000	1995 £'000
Balance at 1st November	7,190	19,770
Net increase/(release) in the year	730	(12,580)
Balance at 31st October	<u>7,920</u>	<u>7,190</u>

10. Capital commitments

The company had no capital commitments at 31st October, 1996 (1995:£Nil).

11. Parent companies

The company's ultimate parent company is 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 accounts are prepared. The parent company of the smallest such group is RBC Finance B.V., a company registered in The Netherlands. Copies of the group financial statements of Royal Bank of Canada and RBC Finance B.V. are available at 71 Queen Victoria Street, London EC4V 4DE.