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

REPORT AND FINANCIAL STATEMENTS

30 September 1985



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

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 30 September 1985.

1. ACTIVITIES

The principal activity of the company is the holding of investments. The activities of its principal subsidiaries are banking, dealing mainly in medium term loans to international borrowers, money market operations and foreign exchange dealings, Eurobond issues, bond dealing, leasing finance, trade finance, the provision of financial advice and retail banking services.

2. REVIEW OF DEVELOPMENTS

During the year the group has continued to face difficulties in both the International and UK markets. The contraction of the economy in countries which have been traditional markets for trade financing, the withdrawal of export credit insurance from certain countries and the rescheduling of international debts have all had an impact on the profit for the year. However, the world's economy appears to be more stable than it was at the end of 1984 and it is anticipated that results will continue to improve steadily.

Management continues to streamline operations in line with current market conditions and where appropriate has written down the value of certain investments.

The results for the year were as follows :

	£'000
Consolidated profit for the year	5,566
Goodwill written off	911
Taxation	1,354
	<hr/>
Consolidated profit after taxation	3,301
Minority interest	439
	<hr/>
Profit transferred to reserves	2,862
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The directors do not propose the payment of a dividend.

3. FUTURE PROSPECTS

The current economic conditions are slowly improving. This together with the continuing program of streamlining operations will lead to a continual improvement in profitability.

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

REPORT OF THE DIRECTORS

(continued)

4. DIRECTORS

The membership of the Board is set out below. All directors served throughout the year except where stated :

R.W. Adam	(Appointed 1 August 1985)
J. N. Abell	(Resigned 1 December 1985)
R. J. Baker	(Resigned 14 December 1984)
R. Bodt	
A. Cravero	(Appointed 1 December 1985)
Sir Alastair Down	(Resigned 30 July 1985)
R.C. French	(Appointed 5 December 1984)
Sir Charles Hardie C.B.E., F.C.A.	
W.C.C. Mackay	(Appointed 5 December 1984)
R. C. Priestland F.C.I.S.	(Resigned 18 June 1985)

The directors have no disclosable interest in the share capital of the Company.

5. FIXED ASSETS

The changes in fixed assets have been shown in note 9 to the financial statements.

6. EMPLOYMENT OF DISABLED PERSONS

The company and its subsidiaries have continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitude and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who may become disabled, to promote their career development within the organisation.

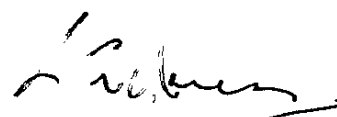
7. DONATIONS

During the year the group made charitable donations amounting £16,861 (1984 - £15,584). There were no contributions made for political purposes during the year.

8. AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board


Secretary

23 September 1986

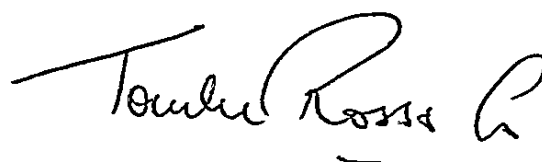
AUDITOR'S REPORT TO THE MEMBERS

of

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

We have audited the financial statements on pages 4 to 20 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group at 30 September 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read "Trevor Ross".

23 September 1986

Chartered Accountants
London

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDCONSOLIDATED PROFIT AND LOSS ACCOUNTYear Ended 30 September 1985

	Note	1985 £'000	1984 £'000
Operating profit/(loss) for the year	3(a)(b)	5,566	(7,014)
Goodwill written off		(911)	(123)
Profit/(loss) before taxation		<u>4,655</u>	<u>(7,137)</u>
Taxation	15	<u>(1,354)</u>	<u>(2,414)</u>
Profit/(loss) after taxation	3(c)	3,301	(9,551)
Minority interest		(439)	(371)
Retained profit/(loss) transferred to reserves		<u>2,862</u> =====	<u>(9,922)</u> =====

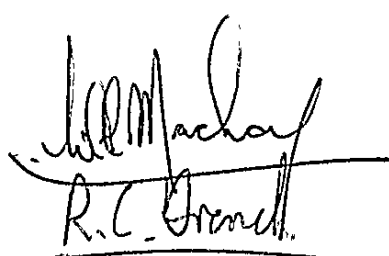
STATEMENT OF CONSOLIDATED RESERVES

Total reserves brought forward		3,248	17,103
Foreign exchange translation differences	1 (c)	(1,923)	2,508
Retained profit		2,862	(9,922)
Corporation tax legislation adjustment	15 (b)	-	(6,441)
		<u>4,187</u> =====	<u>3,248</u> =====

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDCONSOLIDATED BALANCE SHEET30 September 1985

	Note	1985 £'000	1984 £'000
ASSETS			
Cash in hand and with other bankers	4	837,071	828,276
Investments and securities held for trading	5	310,099	199,843
Other debtors		445,945	268,159
Bills receivable and promissory notes	6	80,223	95,862
Long-term investments	7	7,014	4,215
Loans, advances and special deposits		1,001,786	1,374,726
Leased receivables and instalment credit contracts	8(a)	86,774	48,766
Fixed assets	9	24,724	18,528
Goodwill	1(b)	4,548	4,292
		<u>2,798,184</u>	<u>2,842,667</u>
LIABILITIES			
SHAREHOLDER'S FUNDS:			
Called up share capital	10	21,755	21,755
Reserves	11	4,187	3,248
		<u>25,942</u>	<u>25,003</u>
Long-term loans from RBC Group Companies	13	145,420	115,869
		<u>171,362</u>	<u>140,872</u>
Minority interests in subsidiary companies	12	4,071	4,126
Deferred taxation	15(c)	4,569	5,695
Term deposits exceeding one year		25,840	58,506
Finance lease payables	8(b)	44,920	9,097
Current taxation		1,436	469
Current and deposit accounts and bank balances		2,039,824	2,147,519
Other current liabilities and creditors, including RBC group companies, and deferred income	14	506,162	476,383
		<u>2,798,184</u>	<u>2,842,667</u>

The financial statements, which were approved by the Board of Directors on 23 September 1986 are prepared in compliance with Sections 258 and 259 of and Schedule 9 to the Companies Act 1985.



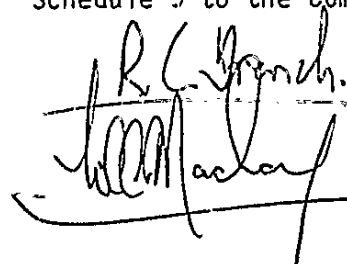
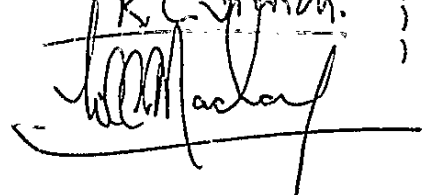
R.C. Grenell

} Directors

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDBALANCE SHEET30 September 1985

	Note	1985 £'000	1984 £'000
FIXED ASSETS			
Tangible assets	9	4	-
Investments:			
Shares in group companies	12	32,720	30,695
Loans to group companies	12	17,539	11,539
Other investments other than loans	7	1,730	1,730
		<u>51,993</u>	<u>43,964</u>
CURRENT ASSETS			
Debtors			
Amounts owed by group companies		4,415	13
Other debtors		1	-
		<u>4,416</u>	<u>13</u>
Cash at bank and in hand		-	6
		<u>4,416</u>	<u>19</u>
CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans and overdrafts		(3,524)	(6)
Amounts owed to RBC and U.K. group companies		(383)	(2,262)
Other creditors including taxation		(13)	-
Accruals and deferred income		(161)	(6)
		<u>(4,081)</u>	<u>(2,274)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>335</u>	<u>(2,255)</u>
TOTAL ASSETS PLUS NET CURRENT ASSETS/(LIABILITIES)		<u>52,328</u>	<u>41,709</u>
CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts owed to RBC group companies		(48,771)	(21,109)
		<u>3,557</u>	<u>20,600</u>
CAPITAL AND RESERVES			
Called up share capital	10	21,758	21,755
Reserves	11	(18,198)	(1,155)
		<u>3,557</u>	<u>20,600</u>

The financial statements, which were approved by the Board of Directors on 23 September 1986 are prepared in compliance with Sections 258 and 259 of and Schedule 9 to the Companies Act 1985.


 } Directors


THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED
CONSOLIDATED STATEMENT OF SOURCE & APPLICATION OF FUNDS
For the Year Ended 30 September 1985

	1985 £'000	1984 £'000
SOURCE OF FUNDS		
Profit/(loss) after taxation	3,301	(9,551)
Adjustment for items not involving the movement of funds :		
Depreciation of fixed assets	3,776	1,869
Corporation tax legislation adjustment	-	(6,441)
Foreign exchange difference taken directly to reserves	(1,923)	2,508
Foreign exchange difference on minority interest	(494)	646
Deferred tax	(1,126)	(421)
Amortisation of goodwill	911	123
Total generated by operations	4,445	(11,267)
Increase in longer term loans	29,551	8,830
Liquidation of related company	-	45
	33,996	(2,392)
APPLICATION OF FUNDS		
Additions to fixed assets (net)	(9,972)	(4,375)
Additions to long-term investments and goodwill	(3,966)	(1,545)
MOVEMENT IN WORKING CAPITAL	20,058	(8,312)
ANALYSIS OF MOVEMENTS IN WORKING CAPITAL :		
INCREASE/(DECREASE) in:		
Bills receivable and promissory notes	(15,639)	15,984
Net lease receivables and instalment credit contracts	2,185	(14,160)
Customer loans, advances and special deposits	(372,940)	137,181
Investments and securities held for trading	110,256	148,636
Cash in hand and with bankers	8,795	189,957
Other debtors	177,786	161,239
	(89,557)	638,837
(DECREASE)/INCREASE in:		
Current and deposit accounts and bank accounts	107,695	(339,010)
Creditors and other liabilities	(29,779)	(299,957)
Term deposits	31,699	(8,182)
	20,058	(8,312)

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and all subsidiaries made up to 30 September 1985. Some overseas subsidiaries prepared financial statements for the year to August 31, 1985 to avoid delay in the preparation of the consolidated financial statements. The effect of this on the consolidated financial statements is not material.

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. Any excess of the cost of investments over the net assets of the subsidiary at acquisition is retained in the Balance Sheet and shown as goodwill arising on consolidation. Goodwill on consolidation is now amortised over appropriate periods varying from 5 to 25 years (1984 forty years). The change results in an increased charge for the year amounting to £735,000.

(c) Foreign currencies

There are outstanding forward exchange contracts entered into in the normal course of business. The Balance Sheets do not include the gross amounts of forward purchases and sales. The known profits and losses on forward exchange transactions are brought into the profit and loss account on a time apportionment basis. Foreign currency balances have been translated at exchange rates ruling at the year end, except for bills receivable and promissory notes which are covered by forward sales or matching currency loans and have been translated at the rate of exchange ruling at the date of the contract.

The resultant movement in the value of the investment in subsidiary companies has been taken direct to reserves.

(d) Depreciation

Depreciation has been provided at the following rates using the straight line method to write off assets over their estimated useful lives :-

Freehold buildings	-	50 years
Leasehold property	-	The period of the lease
Leasehold costs	-	Period to the next rent review
Motor vehicles	-	4 or 5 years
Office equipment and other assets	-	3 to 10 years

(e) Finance lease receivables and payables

Receivables under finance lease agreements are shown as the total remaining rentals receivable less deferred finance charges. Regional development grants receivable are grossed up at the current rate of corporation tax and credited to the profit and loss account; an equivalent amount is used to reduce the capital value of the future rentals receivable. Income is released to the profit and loss account from the deferred finance charges in each accounting period using

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

Page 9.

Year Ended 30 September 1985

(continued)

the Investment Period Method, taking account, if applicable, of taxation allowances receivable, in order to establish, over the period of the agreement, a constant rate of return on funds invested.

Finance lease payables reflects total payables due over the period of the contracts less deferred finance charges. The deferred finance charges are taken to the profit and loss account using the same method as is set out above.

(f) Instalment credit contracts

Instalment Credit Contracts reflect total receivables due over the period of the contracts less deferred finance charges. Finance charges due under each contract are taken to the profit and loss account at a constant rate of return on the funds outstanding in each contract.

(g) Trading investments

Trading investments are carried in the balance sheet at closing market prices and the resultant profits and losses have been included in the profit and loss account with the exception of certain assets which are funded for a fixed term within portfolios. These are carried at cost adjusted for discount accretion or premium amortization and this value reflects gains and losses from trading within the portfolio so that profits may be taken on a straight line basis over the life of the portfolio.

(h) Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on 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

(i) Loan interest

Interest receipts from loans where the borrower has discharged an overseas withholding tax liability on behalf of the group have been grossed up to include the related tax credits where the credits are supported by adequate evidence.

(j) Financial futures

Financial futures transactions have been valued at closing market prices and resultant profits and losses have been included in the profit and loss account except those in respect of hedging transactions which are deferred and released to the profit and loss account in accordance with the original intent of the hedging transaction.

(k) Foreign currency options

Open foreign currency options are held at market value using prices quoted on a recognized exchange or calculated using an appropriate valuation model. Resultant profits and losses have been included in the profit and loss account.

(l) Long term investments

Listed long term investments are held at original cost and unlisted long term investments are included at cost less provisions, which the Directors consider to be a fair valuation.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985
(continued)

2. TURNOVER

The turnover of the group is attributable to the business of banking and other related activities and is not disclosed in these financial statements.

3. OPERATING PROFIT/(LOSS) BEFORE TAXATION

(a) Operating profit/(loss) is stated after crediting/charging the following items :

	1985 £'000	1984 £'000
Income from :		
Listed investments		
Unlisted investments	26,021	12,615
Finance leases	256	8
	5,412	3,215
	<u> </u>	<u> </u>
Charges in respect of :		
Amortisation of goodwill	911	123
Interest on customers' accounts and bank balances	207,559	235,788
Interest on long-term loans	11,808	8,380
Auditors' remuneration	208	163
Depreciation of fixed assets	3,776	1,869
Directors' emoluments	209	84
Hire of equipment	1,278	1,172
	<u> </u>	<u> </u>

(b) Information regarding directors and employees:

	1985 £'000	1984 £'000
Directors' emoluments		
Fees	3	3
Other emoluments	88	81
Compensation for loss of office	118	-
	<u> </u>	<u> </u>
	209	84
	<u> </u>	<u> </u>
Remuneration of the chairman	2	2
	<u> </u>	<u> </u>
Remuneration of the highest paid director	45	37
	<u> </u>	<u> </u>
Scale of other directors' remuneration		
£0 - 5,000	No 6	No 5
35,001 - 40,000	-	1
40,001 - 45,000	1	-
	<u> </u>	<u> </u>

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTSYear Ended 30 September 1985

(continued)

A loan to a director at 30 September 1985 was £50,001 (1984-£48,714). The maximum amount outstanding during the year was £50,001. This transaction was made in accordance with a subsidiary's normal lending policies for employees.

Certain Directors and Senior Executives are employees of the shareholder bank and of an affiliated company by whom they are remunerated and seconded to companies within the group. The shareholder bank and affiliated company are paid fees by these companies for the services of these seconded personnel. It is not practical to apportion the fees paid between the part relating to services of Directors and the part relating to the Executives.

Employees

The company had no employees receiving in excess of £30,000 (1984 - none). The average number of persons employed by the group, excluding directors and those who worked wholly or mainly outside the United Kingdom, was 895 (1984 - 963) and their aggregate remuneration was £10,254,000 (1984 - £10,296,000).

(c) Profit/(Loss) after taxation

The Royal Bank of Canada Holdings (U.K.) Limited has not presented its own profit and loss account as permitted by Section 228(7) of the Companies Act 1985. The amount of the consolidated loss dealt with in the accounts of the holding company is £17,043,000 (1984 - £4,177,000).

4. CASH IN HAND AND WITH BANKERS

Cash in hand with banks includes £9,712,000 (1984 - £4,546,000) which is held for a subsidiary by banks in Latin and South America. Such amounts are not freely transferable because of foreign currency restrictions in these countries.

5. INVESTMENTS AND SECURITIES HELD FOR TRADING

	1985	1984
GROUP	£'000	£'000
Listed in the United Kingdom: Market value	310,099	199,843
	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985

(continued)

	1985 £'000	1984 £'000
6. BILLS RECEIVABLE AND PROMISSORY NOTES		
Amount falling due:		
within one year	39,564	52,408
in more than one year	40,659	43,454
	<hr/>	<hr/>
	80,223	95,862
	=====	=====
7. LONG-TERM INVESTMENTS		
GROUP		
Listed in U.K. and shown at cost		
Market value £3,909,000	3,738	1,616
(1984 - £2,052,000)		
Unlisted - In affiliate	448	-
- Other	2,828	2,599
	<hr/>	<hr/>
	7,014	4,215
	=====	=====
COMPANY		
Unlisted	1,730	1,730
	=====	=====

Unlisted long-term investments are included at cost less provisions of £681,000, which the directors consider to be a fair valuation. The unlisted investments include the following :

Libra Bank Limited	% of Equity
5,305,973 Ordinary £1 shares - fully paid	10.61%
Details of movements	
Cost	£'000
Balance at 1 October 1984	4,215
Additions in the year	2,799
	<hr/>
Balance at 31 September 1985	7,014
	=====

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985
(continued)

8. FINANCE LEASING

a. Finance lease receivables and instalment credit contracts

	1985 Due Within 1 Year £'000	1985 Due After 1 Year £'000	1985 Total £'000	1984 Total £'000
Finance lease receivables	14,322	64,967	79,289	45,258
Deferred finance charges	(4,662)	(13,112)	(17,774)	(11,091)
Net book value at 30 September	<u>9,660</u>	<u>51,855</u>	<u>61,515</u>	<u>34,167</u>
Instalment credit contracts (Less deferred finance charges of £6,562,000 (1984:£3,694,000))	6,900	18,359	25,259	14,599
	<u>16,560</u>	<u>70,214</u>	<u>86,774</u>	<u>48,766</u>

Finance lease receivables received in the year amounted to £13,995,000 (1984:£11,771,000) and the total expenditure on assets acquired for the purpose of letting under finance lease contracts was £37,751,000 (1984:£9,278,000).

b. Finance lease payables

	1985 Due Within 1 Year £'000	1985 Due After 1 Year £'000	1985 Total £'000	1984 Total £'000
Finance lease payables	9,746	44,314	54,060	10,553
Deferred finance charges	(2,473)	(6,667)	(9,140)	(1,456)
Net book value at 30 September	<u>7,273</u>	<u>37,647</u>	<u>44,920</u>	<u>9,097</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985
(continued)

9. FIXED ASSETS

(i) GROUP

	Freehold Property £'000	Leasehold Property £'000	Office equipment, Furniture and Motor Vehicles £'000	Total £'000
Cost				
At 1 October 1984	223	11,776	13,707	25,706
Exchange fluctuation	-	(3)	(16)	(19)
Additions in year	4,677	402	5,389	10,468
Disposals/transfers	-	(226)	(1,594)	(1,820)
At 30 September 1985	<u>4,900</u>	<u>11,949</u>	<u>17,486</u>	<u>34,335</u>
Depreciation				
At 1 October 1984	68	1,706	5,404	7,178
Exchange fluctuation	-	(1)	(7)	(8)
Relating to disposal	-	(74)	(1,261)	(1,335)
Charge for the year	18	408	3,350	3,776
At 30 September 1985	<u>86</u>	<u>2,039</u>	<u>7,486</u>	<u>9,611</u>
Net book value				
At 30 September 1985	<u>4,814</u>	<u>9,910</u>	<u>10,000</u>	<u>24,724</u>
At 30 September 1984	<u>155</u>	<u>10,070</u>	<u>8,303</u>	<u>18,528</u>

(ii) COMPANY

	Plant and Machinery £'000	Total £'000
TANGIBLE ASSETS		
Additions during the year	4	4
Cost at 30 September 1985	<u>4</u>	<u>4</u>
Depreciation at 30 September 1985	-	-
Net book amount at 30 September 1985	<u>4</u>	<u>4</u>
Net book amount at 30 September 1984	<u>-</u>	<u>-</u>

THE ROYAL BANK OF CANADA HOLDINGS (U.K.) LIMITEDNOTES TO THE FINANCIAL STATEMENTSYear Ended 30 September 1985
(continued)**10. CALLED UP SHARE CAPITAL**

Authorised ordinary share capital at 30 September 1985 and 1984 £25,000,000
=====

Allotted and fully paid ordinary share capital at 30 September 1985
and 1984 £21,754,572
=====

11. RESERVES

	The Group		The Company	
	1985	1984	1985	1984
	£'000	£'000	£'000	£'000
Distributable reserves				
At 1 October 1984	1,738	15,593	(1,155)	3,022
Retained profit/(loss) for the year	2,862	(9,922)	(17,043)	(4,177)
Exchange reserve fluctuation	(1,923)	2,508	-	-
Corporation tax legislation adjustment	-	(6,441)	-	-
	<u>2,677</u>	<u>1,738</u>	<u>(18,198)</u>	<u>(1,155)</u>
At 30 September 1985				
Non-distributable reserve arising on consolidation	1,510	1,510	-	-
	<u>4,187</u>	<u>3,248</u>	<u>(18,198)</u>	<u>(1,155)</u>

12. SUBSIDIARY COMPANIES

	Subsidiary Shares £'000	Company Loans £'000
Cost		
At 1 October 1984	32,709	12,339
Additions	<u>16,300</u>	<u>6,000</u>
At 30 September 1985	<u>49,009</u>	<u>18,339</u>
Provisions		
At 1 October 1984	2,014	800
Charges	<u>14,275</u>	<u>-</u>
At 30 September 1985	<u>16,289</u>	<u>800</u>
Net Book Value		
At 30 September 1985	<u>32,720</u>	<u>17,539</u>
At 30 September 1984	<u>30,695</u>	<u>11,539</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985

(continued)

	Class of Shares held	Country of incorporation
(i) Chancellor Investments Limited and its wholly owned subsidiary :	Ordinary	England
Orion Royal Bank Limited		
whose wholly owned subsidiaries are :	Ordinary	England
Orion (Europe) S.A.	Ordinary	Luxembourg
Orion (Jersey) Limited	Ordinary	Jersey
Orion Nominees Limited	Ordinary	England
Orion Pension Trustee Company Limited	Ordinary	England
Orion Termbank Limited	Ordinary	England
Kitcat & Aitken & Company	Ordinary	England
Kitcat & Aitken	Partnership	England
At the year end the group owned 29.9% of Kitcat & Aitken but it has since acquired the remainder and it is now wholly owned		
Orion Royal Bank Asset Management Limited	Ordinary	England
Orion Royal Bank Equities of Canada Limited	Ordinary	England
Orion Royal Bank Participations Limited	Ordinary	England
Orion Royal Bank Trust Managers Limited	Ordinary	England
Orion Leasing Holdings Limited	Ordinary	England
whose wholly owned subsidiaries are:		
Orion Leasing Limited	Ordinary	England
Orion Finance Limited	Ordinary	England
Orion Factors Limited	Ordinary	England
Roytru Leasing Limited	Ordinary	England
Orion Cayman Limited	Ordinary	Cayman
The Royal Bank of Canada (London) Limited	Ordinary	England
Orion Pacific Holdings Limited	Ordinary	Hong Kong
whose 75% subsidiaries are :		
Orion Royal Securities (HK) Limited	Ordinary	Hong Kong
Orion Royal Pacific Limited (see below)	Ordinary	Hong Kong
Orion Royal Pacific Nominees Limited	Ordinary	Hong Kong
Orion Pacific (G.C.) Limited	Ordinary	Cayman
Orion Caribbean Limited	Ordinary & Preference	Cayman

In addition to the 75% holding in Orion Royal Pacific Limited, shown above, a further 5% is indirectly held by the Orion Royal Bank Limited through its 20% holding in Orpac Holdings Limited, which solely owns the other 25% of the capital of Orion Royal Pacific Limited.

The remaining 80% of the shares in Orpac Holdings Limited are held within the RBC Group.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985

(continued)

(ii) Western Trust & Savings Holdings Limited	Ordinary	England
whose wholly-owned subsidiaries are :		
Western Trust & Savings Limited	Ordinary	England
whose wholly-owned subsidiaries are:		
Western Trust & Savings Properties Limited	Ordinary	England
Western Trust & Savings Insurance		
Services Limited	Ordinary	England
Western Credit Holdings Limited	Ordinary	England
whose wholly-owned non-trading		
subsidiaries are :		
Western Credit Limited	Ordinary	England
London Credit Limited	Ordinary	England
 (iii) The Royal Bank of Canada Trade	Ordinary &	England
Finance Limited	Deferred	
whose wholly-owned subsidiaries are :		
The Royal Bank of Canada Trade		
Credit Limited	Ordinary	England
The Royal Bank of Canada Forfait		
Finance Limited	Ordinary	England
The Royal Bank of Canada Export	Ordinary	England
Credit Limited		
RBC Trade Finance SA	Ordinary	Belgium
RBC Trade Finance Inc.	Ordinary	USA
RBC Trade Finance		
Servicos Ltd	Ordinary	Brazil
whose 70% subsidiary is		
Tennant - OFE SA	Ordinary	France
 (iv) RBC Properties (U.K.) Limited	Ordinary	England
 (v) RBC Systems Limited	Ordinary	England
 (vi) RBC Properties (London) Limited	Ordinary	England
 (vii) RBC Properties (Stamford Street) Limited	Ordinary	England
 (viii) Profitmore Limited	Ordinary	England

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985
(continued)

13. LONGER TERM LOANS

Two subordinated unsecured loans of £8,000,000 and £8,100,000 and a further loan of £8,200,000 has been provided to the company by other companies within the Royal Bank of Canada Group. The two subordinated loans are repayable in 10 equal annual instalments commencing 21 February 2006 and 25 September 2006 respectively and the further loan is repayable on 25 September 1990.

A subordinated unsecured loan of £5,500,000 has been provided to a subsidiary by The Royal Bank of Canada for a period of not less than 10 years from 16 March 1984. A further subordinated loan of US\$60,000,000 (equivalent to £42,662,000) has been provided by an intermediate parent company to another subsidiary. This is repayable in 5 equal annual instalments from 1991 to 1995. A subsidiary has a loan of £40,000,000 from a company in The Royal Bank of Canada Group which is due for repayment on 15 December 1991.

	1985 £'000	1984 £'000
Subordinated unsecured repayable in instalments 2006-2015	16,100	-
Unsecured repayable 25 September 1990	8,200	-
Subordinated unsecured repayable 1989 or later	5,500	5,500
Subordinated unsecured repayable in instalments 1991 - 1995	42,662	48,469
Unsecured : repayable 15 December 1991	40,000	40,000
Other - No Fixed Terms	32,958	21,900
	<u>145,420</u>	<u>115,869</u>

The other long-term loans have been provided by other companies in The Royal Bank of Canada Group, with no fixed repayment date or terms.

14. ROYAL BANK OF CANADA GROUP BALANCES

In the ordinary course of business companies within the U.K. group have balances with other Royal Bank of Canada Group companies, which have not been separately disclosed in these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985
(continued)

15. TAXATION

The charge for taxation of the company and its subsidiaries is as follows :-

	1985 £'000	1984 £'000
UK Corporation Tax at 42½% (1984 47½%) based on the results for the year.	2,264	1,852
Prior year adjustments	(74)	(130)
Overseas taxation	1,457	1,926
Deferred taxation	(1,127)	421
Relief for overseas taxation	(1,241)	(1,725)
Tax credit on franked investment income	75	70
	<u>1,354</u>	<u>2,414</u>
	=====	=====

(a) The charge in respect of UK Corporation Tax is after taking into account the notional tax credit on tax-spared loans and includes a credit of £Nil (1984 - credit of £25,000) in respect of the engrossment of regional development grants received (see Note 1(e)).

(b) The corporation tax legislation adjustment charge which arose in 1984 for a group Company and its subsidiaries was as follows:

	£'000
Additional depreciation charge	7,360
Release of deferred taxation provision	(919)
Net Corporation Tax Legislation Adjustment	<u>6,441</u>

Additional depreciation arose on certain leased assets where the lease agreement included provision for rentals to be revised with changes in the rate of corporate taxation. In accordance with the accounting policy on depreciation, these leased assets were written down in order to maintain a constant rate of return after the reduction in tax rates included in the Finance Act 1984; the deferred taxation provision was reduced accordingly.

(c) Deferred Taxation is as follows:-

	Amount provided in accounts		Total Potential deferred tax liability	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Accelerated depreciation	7,966	9,245	7,978	9,245
Short-term timing differences	(3,397)	(3,550)	(1,916)	(2,953)
	<u>4,569</u>	<u>5,695</u>	<u>6,062</u>	<u>6,292</u>
	=====	=====	=====	=====

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 30 September 1985

(continued)

16. CONTINGENT LIABILITIES

There were contingent liabilities at 30 September 1985 amounting to £4,282,000 in respect of uncalled share capital of wholly owned subsidiary companies (1984 - £4,282,000) and £2,289,000 in respect of the uncalled share capital of an 80 per cent owned subsidiary (1984 - £2,587,000) and £2,185,000 (1984 - £1,346,000) in respect of uncalled capital of long term investments.

As part of their ordinary business, group companies had contingent liabilities in respect of guarantees given on behalf of customers and undrawn commitments.

Bills of exchange amounting to £1,429,000 (1984 - £2,429,000) in respect of one subsidiary company have been sold to banks or discounted and are therefore not included in these financial statements. These bills are in the course of collection and there is an estimated contingent liability of £143,000 (1984 - £159,000) for the group if the bills are not met.

17. CAPITAL COMMITMENTS

	30 September 1985		30 September 1984	
	Group £'000	Company £'000	Group £'000	Company £'000
Contracted for but not provided	<u>12,019</u>	<u>Nil</u>	<u>7,360</u>	<u>Nil</u>
Authorised but not yet contracted for	<u>2,082</u>	<u>Nil</u>	<u>6,044</u>	<u>Nil</u>

18. PENSIONS

The Group operates pension schemes covering the majority of its permanent employees which are administered by trustees and are independent of the Group's finances. At the last actuarial valuations the schemes were found to be adequately funded.

19. ULTIMATE HOLDING COMPANY

The ultimate holding company is The Royal Bank of Canada, which is incorporated in Canada.