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ABACUS GROUP SERVICES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 OCTOBER 2017



ABACUS GROUP SERVICES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 31 OCTOBER 2017

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ABACUS GROUP SERVICES UK LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Bailey
P J Rose

SECRETARY

RBC Corporate Services (Jersey) Limited

REGISTERED OFFICE

Gaspé House
66-72 Esplanade
St Helier
Jersey
JE2 3QT
Channel Islands

ADVOCATE

Mourant Ozannes
22 Grenville Street
St Helier
Jersey, JE4 8PX
Channel Islands

ABACUS GROUP SERVICES UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the unaudited financial statements of Abacus Group Services UK Limited (the "Company") for the year ended 31 October 2017.

INCORPORATION

The Company is incorporated in Jersey, Channel Islands.

PRINCIPAL ACTIVITY

The principal activity of the Company is provision of managerial services and is unchanged since last year.

REGULATION

The Company is not a regulated entity.

RESULTS

The results of the Company are shown in the Statement of Comprehensive Income on page 6.

GOING CONCERN

The Company has reported an operating loss for the year. Based on the current funding, liquidity and capital resources position, the directors believe the Company has a sound funding and liquidity position and adequate capital resources. As a consequence, the directors believe the Company is well placed to manage its business risks successfully. Therefore, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

ACCOUNTING STANDARDS

The financial statements are prepared in accordance with all International Financial Reporting Standards ("IFRS") as issued and in effect as at 31 October 2017 by the International Accounting Standards Board ("IASB").

DIVIDEND

No dividend was paid or proposed during the year ended 31 October 2017 (2016: £Nil).

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 9 of the financial statements.

DIRECTORS

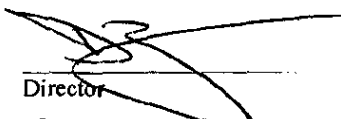
The present directors are shown on page 2 and have all served throughout the year and subsequently.

SECRETARY

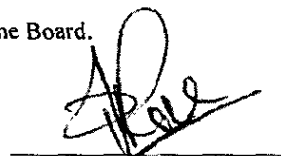
The present secretary is set out on page 2 and has served throughout the year and subsequently.

On 2 November 2017 RBC Secretaries (CI) Limited changed its name to RBC Corporate Services (Jersey) Limited.

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



Director
S. 3
2018



Director
05/03/18

ABACUS GROUP SERVICES UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. 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 proper accounting records which 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 (Jersey) Law 1991. 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.

ABACUS GROUP SERVICES UK LIMITED

STATEMENT OF FINANCIAL POSITION

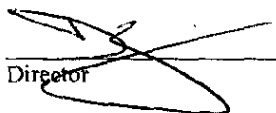
AS AT 31 OCTOBER

(British Pounds)	Notes	2017	2016
Current assets			
Cash and cash equivalents	7	72,440	50,876
Taxation	5	-	269
Amounts due from related parties	7	4,497	990
Trade and other receivables	4	-	2,550
Total current assets		76,937	54,685
Non-current assets			
Premises and equipment	3	-	22,521
Total non-current assets		-	22,521
Total assets		76,937	77,206
Current liabilities			
Taxation	5	1,712	-
Total current liabilities		1,712	-
Total liabilities		1,712	-
Equity			
Share Capital	6	2	2
Retained earnings		75,223	77,204
Total equity attributable to shareholders		75,225	77,206
Total liabilities and equity		76,937	77,206

The accompanying notes on pages 9 to 19 form an integral part of these financial statements.

Approved by the Board of Directors on ^{15th} ~~5th~~ February 2018.

Signed on behalf of the Board


Director


Director

ABACUS GROUP SERVICES UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER

(British Pounds)	Notes	2017	2016
Income			
Income from related parties		22,751	14,618
Total revenue		22,751	14,618
Expenses			
Depreciation	3	18,746	11,918
Professional services fee		-	2,550
General expenses		230	150
Loss on disposal of premises and equipment		3,775	-
Total expenses		22,751	14,618
(Loss) before income tax		-	-
Income taxes	5	(1,981)	(20)
Total comprehensive (loss) for the year		(1,981)	(20)
Total comprehensive (loss) attributable to:			
Shareholders		(1,981)	(20)

The above results are derived from continuing activities in the current and preceding year. There are no other items of other comprehensive income in the current or preceding year.

The accompanying notes on pages 9 to 19 form an integral part of these financial statements.

ABACUS GROUP SERVICES UK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER

(British Pounds)	Share capital	Retained earnings	Total
Balance at 1 November 2015	2	77,224	77,226
Total comprehensive (loss) for the year	-	(20)	(20)
Balance at 31 October 2016	2	77,204	77,206
Total comprehensive (loss) for the year	-	(1,981)	(1,981)
Balance at 31 October 2017	2	75,223	75,225

The accompanying notes on pages 9 to 19 form an integral part of these financial statements.

ABACUS GROUP SERVICES UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER

(British Pounds)	Notes	2017	2016
Cash flows from operating activities			
(Loss) before income taxes		-	-
Adjustments for non-cash items and others			
Depreciation of premises and equipment		18,746	11,918
Loss on disposal of premises and equipment		3,775	-
		22,521	11,918
Changes in operating assets and liabilities			
Trade and other receivables		2,550	(2,550)
Amounts due from related parties		(3,507)	1
		21,564	9,369
Income tax (paid)/ received		-	1,112
Net cash from operating activities		21,564	10,481
Net change in cash and cash equivalents		21,564	10,481
Cash and cash equivalents at beginning of year		50,876	40,395
Cash and cash equivalents at end of year		72,440	50,876

The accompanying notes on pages 9 to 19 form an integral part of these financial statements.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

1. GENERAL INFORMATION

Abacus Group Services UK Limited is a limited liability company incorporated in Jersey, Channel Islands on 25 July 2000. The Company is domiciled in Jersey. The address of the registered office is Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE2 3QT, Channel Islands. The principal activity of the Group is that that the provision of managerial services.

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").

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 7 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.

ii) Historical cost convention

The financial statements have been prepared under the historical cost basis. The particular 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) 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 assumptions that are believed to be reasonable. Accordingly, actual results may differ from these and other estimates thereby impacting the Company's future financial statements.

(d) Significant accounting judgements

In the 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) Income tax

The tax laws in the jurisdictions in which the Company operates are potentially subject to different interpretations by the Company and the relevant taxation authority. Significant judgement is required in the interpretation of the relevant tax laws and in estimating the provision for current and deferred income taxes due to uncertainty in timing and amount of taxable income and in the design and ability to implement tax planning strategies.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(d) Significant accounting judgements - continued

(i) Income tax - continued

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the Statement of Financial Position date. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited in comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

(e) 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 the 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.

(f) 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.

(g) Trade and other receivables

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

(h) Premises and equipment

Premises and equipment includes computer equipment, furniture and office equipment and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and initial estimate of any disposal costs. Depreciation is recorded principally on a straight-line basis over the estimated useful lives of the assets, which are 7 to 10 years for furniture, fixtures and other equipment. The amortisation period for leasehold improvements is the lesser of the useful life of the leasehold improvements or the lease term. Gains and losses on disposal are recorded in income. Premises and equipment are assessed for indicators of impairment at each reporting period. If there is an indication that an asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs and tested for impairment at the CGU level. An impairment charge is recorded to the extent the recoverable amount of an asset (or CGU), which is the higher of fair value less costs to sell and value in use, is less than its carrying amount. Value in use is the present value of the future cash flows expected to be derived from the asset (or CGU).

After the recognition of impairment, the depreciation charge is adjusted in future periods to reflect the asset's revised carrying amount. If an impairment is later reversed, the carrying amount of the asset is revised to the lower of the assets recoverable amount and the carrying amount that would have been determined (net of depreciation) had there been no prior impairment loss. The depreciation charge in future periods is adjusted to reflect the revised carrying amount.

(i) Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset on the Statement of Financial Position when there exists both a legally enforceable right to offset the recognised amounts and an intention to settle on a net basis, or realised the asset and settle the liability simultaneously.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares.

(k) Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by change in deferred tax assets and liabilities attributable to temporary differences to unused tax losses.

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's subsidiaries operate 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.

Deferred tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined based on tax rates and tax laws that have been enacted or substantively enacted at the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investment in foreign operation where the company is able to control the timing of the reversal if the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax and deferred tax is recognised in profit or loss, except that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(l) Revenue recognition

Revenue is recognised at the point in time when the Company has the right to receive payment for its services.

(m) Expense recognition

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

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(n) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charge to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the assets useful life or over the shorter of the assets useful life and lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentive received for the lessor) are charged to profit or loss on a straight-line basis of the period of the lease.

(o) 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. Management is 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 flow. 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.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

3. PREMISES AND EQUIPMENT

2017	Furniture and equipment	Leasehold improvements	Total
Cost			
Balance at 1 November 2016	83,984	34,978	118,962
Disposals	(83,984)	(34,978)	(118,962)
Balance at 31 October 2017	-	-	-
Accumulated Depreciation			
Balance at 1 November 2016	67,883	28,558	96,441
Charge for the year	12,607	6,139	18,746
Disposals	(80,490)	(34,697)	(115,187)
Balance at 31 October 2017	-	-	-
Net carrying amount at 31 October 2017	-	-	-

2016	Furniture and equipment	Leasehold improvements	Total
Cost			
Balance at 1 November 2015	83,984	34,978	118,962
Balance at 31 October 2016	83,984	34,978	118,962
Accumulated Depreciation			
Balance at 1 November 2015	59,972	25,051	84,523
Charge for the year	8,411	3,507	11,918
Balance at 31 October 2016	67,883	28,558	96,441
Net carrying amount at 31 October 2016	16,101	6,420	22,521

4. TRADE AND OTHER RECEIVABLES

As at 31 October	2017	2016
Recoverable within one year		
Trade receivables	-	2,550

The directors are of the opinion that the carrying value of the trade and other receivables equates to their fair value.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

5. INCOME TAXES

Jersey - Current Tax

The Company is a non-regulated service company which does not meet the definition of a financial services company and accordingly pays tax at 0% (2016: 0%) on other income.

United Kingdom - Current tax

The Company is also subject to UK Corporation Tax at an effective rate of 19.41% for the financial year 2017 (2016: 20.4%).

United Kingdom - Deferred tax

Deferred tax is provided on timing differences which will reverse after the year end at 19.41% (2016: 20%), the rate which it is anticipated will be in force when the timing differences reverse.

For the year ended 31 October

	2017	2016
UK Corporation tax		
Current tax	1,712	-
Adjustments in respect of prior periods	269	20
Total current tax	1,981	20

Reconciliation

The difference between the total tax shown above and the amount calculated by applying the standard rate of tax to the Company income before tax is as follows:

For the year ended 31 October

(British Pounds)	2017	2016
Loss before income taxes	-	-
Income tax at standard financial services rate of 0% (2016: 0%)	-	-
<i>Effects of tax arising in the UK:</i>		
Net depreciation in excess of capital allowances	1,712	-
Adjustments in respect of prior periods	269	20
Total tax charge for the year	1,981	20

Deferred tax

(Thousands of British Pounds)

	Deferred tax asset
At 31 October 2015	1,401
Group losses utilised	(1,112)
Adjustments in respect of prior periods	(20)
At 1 November 2016	269
Adjustments in respect of prior periods	(269)
At 31 October 2017	-

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

6. SHARE CAPITAL

As at 31 October

(British Pounds)

	2017	2016
Authorised share capital		
10,000 ordinary shares of £1	10,000	10,000
Issued, allotted and fully paid:		
2 ordinary shares of £1 each	2	2

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

7. RELATED PARTY TRANSACTIONS

Related parties

Related parties include the parent bank, Royal Bank of Canada ("RBC"), affiliated companies, post-employment benefit plans for the benefit of the Company's employees, key management personnel, the Board of Directors of RBC ("Directors"), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of RBC and its subsidiaries, directly or indirectly. They include the senior executives of RBC called the Group Executive ("GE"). The GE is comprised of the president and Chief Executive Officer and those individuals that report directly to him, including the Chief Administrative Officer and Chief Financial Officer, Chief Human Resource Officer, the Chief Risk Officer, and Group Heads for Wealth Management and Insurance, Capital Markets and Investor & Treasury Services, Technology & Operations and Personal & Commercial Banking. The GE is ultimately responsible for all material decisions of RBC. The GE is also responsible for establishing the overall strategic direction of the RBC group and, in that regard, sets global parameters for the RBC group within which the board of directors and management of each subsidiary in the RBC group exercise their respective discretion to make decisions concerning the strategic direction and day-to-day management of the particular subsidiary. The Directors of RBC do not plan, direct, or control the day-to-day activities of RBC; they oversee the management of the business and provide stewardship.

Compensation of key management personnel and Directors

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

For the year ended 31 October ⁽¹⁾

	2017	2016
	CAD million	CAD million
Salaries and other short-term employee benefits ⁽³⁾	33	26
Post-employment benefits	2	2
Other long-term benefits	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 services provided.

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

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

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

6. SHARE CAPITAL

As at 31 October

(British Pounds)

	2017	2016
Authorised share capital		
10,000 ordinary shares of £1	10,000	10,000
Issued, allotted and fully paid:		
2 ordinary shares of £1 each	2	2

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

7. RELATED PARTY TRANSACTIONS

Related parties

Related parties include the parent bank, Royal Bank of Canada ("RBC"), affiliated companies, post-employment benefit plans for the benefit of the Company's employees, key management personnel, the Board of Directors of RBC ("Directors"), close family members of key management personnel and Directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, Directors or their close family members.

Key management personnel and Directors

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of RBC and its subsidiaries, directly or indirectly. They include the senior executives of RBC called the Group Executive ("GE"). The GE is comprised of the president and Chief Executive Officer and those individuals that report directly to him, including the Chief Administrative Officer and Chief Financial Officer, Chief Human Resource Officer, the Chief Risk Officer, and Group Heads for Wealth Management and Insurance, Capital Markets and Investor & Treasury Services, Technology & Operations and Personal & Commercial Banking. The GE is ultimately responsible for all material decisions of RBC. The GE is also responsible for establishing the overall strategic direction of the RBC group and, in that regard, sets global parameters for the RBC group within which the board of directors and management of each subsidiary in the RBC group exercise their respective discretion to make decisions concerning the strategic direction and day-to-day management of the particular subsidiary. The Directors of RBC do not plan, direct, or control the day-to-day activities of RBC; they oversee the management of the business and provide stewardship.

Compensation of key management personnel and Directors

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

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

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

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

7. RELATED PARTY TRANSACTIONS -CONTINUED

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

As at 31 October				
	2017		2016	
Balances with related parties	No. of units held	Value CAD million	No. of units held	Value CAD million
Stock options ⁽¹⁾	2,174,841	60	2,110,038	42
Other non-option stock based awards ⁽¹⁾	1,371,104	138	1,703,221	143
RBC common shares	632,631	64	789,295	66
	4,178,576	262	4,602,554	251

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

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

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

As at 31 October 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.

Affiliates

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

As at 31 October		
(British Pounds)	2017	2016
Amounts due from related parties		
RBC Affiliates – Cash and cash equivalents	72,440	50,876
RBC Affiliates – Other receivables	4,497	990
	76,937	51,866
For the year ended 31 October		
(British Pounds)	2017	2016
Transactions with related parties:		
Income		
RBC Affiliates – Cost sharing recoveries	22,751	14,618
Income from related parties	22,751	14,618

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

7. RELATED PARTY TRANSACTIONS -CONTINUED

Immediate and ultimate controlling party

Abacus Group Services (UK) Limited a wholly owned subsidiary of RBC Services (Channel Islands) Limited, incorporated in Jersey, Channel Islands. RBC Services (Channel Islands) Limited is a wholly owned subsidiary of RBC Holdings (Channel Islands) Limited.

The Company's ultimate parent company and controlling party is Royal Bank of Canada, a company incorporated in Canada which is also the parent undertaking of the smallest and largest group which includes the Company and for which group financial statements are prepared and published. Consolidated financial statements of the ultimate parent company are available from the following address:

Royal Bank of Canada
Royal Bank Plaza
PO Box 1
Toronto
Ontario
M5J 2J5
Canada

8. OPERATING LEASE ARRANGEMENTS

At the balance sheet date the Company and its subsidiaries had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

As at 31 October		
(British Pounds)	2017	2016
Within 1 year	31,208	184,583
In the second to fifth year inclusive	-	31,208
	31,208	215,791

9. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overview

The board of directors ("the Board") has overall responsibility for the establishment and ongoing management of the risk management framework and monitoring of the implementation and operation of the Board's policies are handled by the Wealth Management International (the "WMI") Operating Committee which has the representation of all the business lines and functional areas of the Company.

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

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

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

The Company's financial instruments comprise cash and liquid resources and various items such as trade receivables which arise directly from operations.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

9. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – CONTINUED

Summary of financial assets and liabilities by category

As at 31 October (British Pounds)	2017	2016
Financial assets		
Cash and cash equivalents	72,440	50,876
Amounts due from related parties	4,497	990
Trade receivables	-	2,550
	76,937	54,416

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

The following is a description of credit risk, market risk, currency risk, liquidity risk and capital risk the Company's exposure to them and how these risks are managed.

The Company entities are all indirect wholly-owned subsidiaries of RBC. In general, credit risk, market risk and liquidity risk are managed as part of the overall RBC risk management practices.

Credit risk

Credit risk is the risk of financial loss associated with a counterparty's inability to fulfil its payment obligations.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised in the balance sheet as noted in the above table. The Company's directors consider that all the above financial assets for each of the balance sheet dates under review including those which are past due settlement dates and those which are still within due settlement dates, are of a good credit quality. When making this assessment the Directors take into account ageing of any underlying receivables, liquidity within the underlying structures and its impact on their ability to settle the Company's receivable balances and any other individual circumstances in connection with the receivable of which they are aware.

The Company's exposure to credit risk pertains primarily to the client related accounts receivable which are across a large base of private clients, thereby significantly reducing any counterparty concentration risk. The client receivables are not interest rate sensitive and are not impacted by changes in market conditions. The Company seeks to limit its credit risk with regard to customers by actively monitoring outstanding receivables.

The Company's credit risk objectives, policies, and methodologies have not changed materially from 2016.

The expected maturity of financial assets at the reporting date was:

31 October 2017

(British Pounds)	1-3 months	3-6 months	Over 6 months	Total
Cash and cash equivalents	72,440	-	-	72,440
Amounts due from related parties	4,497	-	-	4,497
	76,937	-	-	76,937

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2017

9. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – CONTINUED

Credit risk – continued

The expected maturity of financial assets at the previous reporting date was:

31 October 2016

(British Pounds)	1-3 months	3-6 months	Over 6 months	Total
Cash and cash equivalents	50,876	-	-	50,876
Amounts due from related parties	990	-	-	990
Trade and other receivables	2,550	-	-	2,550
	54,416	-	-	54,416

Market risk

Market risk is the risk of loss on the value of a financial instrument that may arise from changes in market factors such as interest rates, foreign exchange rates, equity or commodity prices, and credit spreads.

Given that the nature of the Company's financial instruments are non-trading assets and liabilities, exposure to market risk is not significant and therefore no sensitivity analysis has been presented.

Liquidity risk

Liquidity and funding risk is the risk that the Company may be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments as they fall due.

Given that the nature of the Company's financial commitments are determined based on revenue received from clients with no other significant long-term debt, exposure to liquidity risk is minimal.

Capital risk management

The Board manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2016.