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ABACUS GROUP SERVICES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 OCTOBER 2018

ABACUS GROUP SERVICES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 OCTOBER 2018

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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
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 (the "financial statements") of Abacus Group Services UK Limited (the "Company") for the year ended 31 October 2018.

INCORPORATION

The Company is incorporated in Jersey, Channel Islands and is registered as a branch in the UK.

PRINCIPAL ACTIVITY

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

RESULTS

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

ACCOUNTING STANDARDS

The financial statements are prepared in accordance with all International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in effect as at 31 October 2018.

GOING CONCERN

The Company has reported an operating loss for the year. The directors have a reasonable expectation, based on a review of budgets and expected liquidity positions, that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

DIVIDEND

No dividend was paid or proposed during the year ended 31 October 2018 (2017: £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 8 of the unaudited financial statements.

DIRECTORS

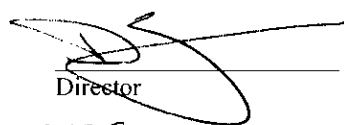
The present directors are shown on page 2 and have all served throughout the year and subsequently.

SECRETARY

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

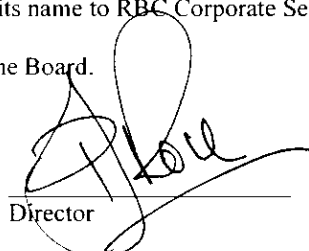
On 2 November 2017 RBC Secretaries (CI) Limited changed its name to RBC Corporate Services (Jersey) Limited.

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



Director

25th February 2019



Director

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:

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

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

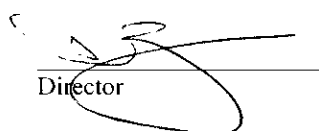
AS AT 31 OCTOBER

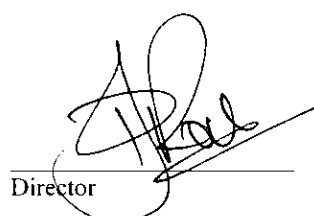
(British Pounds)	Notes	2018	2017
Current assets			
Cash and cash equivalents	5	76,937	72,440
Amounts due from related parties	5	-	4,497
Total current assets		76,937	76,937
Total assets		76,937	76,937
Current liabilities			
Taxation	3	2,658	1,712
Total current liabilities		2,658	1,712
Total liabilities		2,658	1,712
Equity			
Share Capital	4	2	2
Retained earnings		74,277	75,223
Total equity attributable to shareholders		74,279	75,225
Total liabilities and equity		76,937	76,937

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

Approved by the Board of Directors on 2nd February 2019.

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	2018	2017
Income			
Income from related parties	5	230	22,751
Total revenue		230	22,751
Expenses			
General expenses		230	230
Depreciation		-	18,746
Loss on disposal of premises and equipment	7	-	3,775
Total expenses		230	22,751
(Loss) before income tax		-	-
Income taxes	3	(946)	(1,981)
Total comprehensive (loss) for the year		(946)	(1,981)
Total comprehensive (loss) attributable to:			
Shareholders		(946)	(1,981)

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 18 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
Balances at 1 November 2016	2	77,204	77,206
Total comprehensive (loss) for the year	-	(1,981)	(1,981)
Balances at 31 October 2017	2	75,223	75,225
Total comprehensive (loss) for the year	-	(946)	(946)
Balances at 31 October 2018	2	74,277	74,279

The accompanying notes on pages 9 to 18 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)	Note	2018	2017
Cash flows from operating activities			
(Loss) before income taxes		-	-
Adjustments for non-cash items and others			
Depreciation of premises and equipment		-	18,746
Loss on disposal of equipment		-	3,775
		-	22,521
Changes in operating assets and liabilities			
Trade and other receivables		-	2,550
Amounts due from related parties	5	4,497	(3,507)
		4,497	(957)
Income tax (paid) / received		-	-
Net cash from operating activities		4,497	21,564
Net change in cash and cash equivalents		4,497	21,564
Cash and cash equivalents at beginning of year		72,440	50,876
Cash and cash equivalents at end of year		76,937	72,440

The accompanying notes on pages 9 to 18 form an integral part of these financial statements.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2018

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 the provision of managerial services.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in effect as at 31 October 2018.

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 5 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 factors including expectations of future events that are believed to be reasonable.

(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 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 2018

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 and other receivables 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) 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.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(i) Income taxes - continued

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.

(j) Share capital

The Company classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments issued by the Company are classified as equity instruments when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity as a deduction from the proceeds, net of tax. Dividends on these instruments are classified as Dividends paid in the Statement of Changes in Equity.

(k) 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 realise the asset and settle the liability simultaneously.

(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.

(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 lease 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 charged 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.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(n) Leases - continued

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) New and amended standards adopted during the year

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 was part of a comprehensive enterprise-wide program led by RBC. IFRS 9 became effective for the Company on 1 November 2017. The adoption of this standard did not have a material impact on the financial statements of the Company.

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 became effective for the Company on 1 November 2017. The adoption of this standard did not have a material impact on the financial statements of the Company.

(p) Standards in issue but not yet effective

There are a number of standards in issue but 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. The Company will adopt IFRS 15 by adjusting the financial statements at 1 November 2018, the date of initial application, with no restatement of comparative periods. The adoption of IFRS 15 is not expected to have a material impact on the financial statements.

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removed the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognise depreciation expense on the lease asset and interest expense on the lease liability in the statement of income. There are no significant changes to lessor accounting aside from enhanced disclosure requirements. IFRS 16 will be effective for the Company on 1 November 2019. Management is currently assessing the impact of adopting this standard on the financial statements.

Conceptual Framework for Financial Reporting

In March 2018, the IASB issued its revised Conceptual Framework for Financial Reporting (Conceptual Framework). This replaces the previous version of the Conceptual Framework issued in 2004. The revised Conceptual Framework will be effective on 1 November 2020. Management is currently assessing the impact of adopting this standard on the financial statements.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2018

3. 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% (2017: 0%) on other income.

United Kingdom - Current tax

The Company is also subject to UK Corporation Tax at an effective rate of 19% for the financial year 2018 (2017: 19.41%).

United Kingdom - Deferred tax

Deferred tax is provided on timing differences which will reverse after the year end at 19% (2017: 19.41%), the rate which it is anticipated will be in force when the timing differences reverse.

For the year ended 31 October

	2018	2017
UK Corporation tax		
Current tax	-	1,712
Adjustments in respect of prior periods	946	269
Total current tax	946	1,981

Reconciliation to statutory tax rate

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)	2018	2017
Loss before income taxes	-	-
Income tax at standard financial services rate of 0% (2017: 0%)	-	-
<i>Effects of:</i>		
Net depreciation in excess of capital allowances	-	1,712
Adjustments in respect of prior periods	946	269
Total tax charge for the year	946	1,981

4. SHARE CAPITAL

As at 31 October

(British Pounds)	2018	2017
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.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2018

5. RELATED PARTY TRANSACTIONS

Related parties

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

Key management personnel and RBC Directors

KMP 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 individuals that report directly to him, including the Chief Administrative Officer, Chief Financial Officer, Chief Human Resources Officer, Group Chief Risk Officer, Chief Strategy & Corporate Development Officer, and Group Heads for Wealth Management and Insurance, Capital Markets and Investor & Treasury Services, Technology & Operations, and Personal & Commercial Banking. The GE is ultimately responsible for all material decisions of RBC. The GE is 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.

Compensation of Key management personnel and RBC Directors

The following tables present the compensation paid, shareholdings and options held by KMP and RBC Directors.

For the year ended 31 October ⁽¹⁾

	2018	2017
	CAD million	CAD million
Salaries and other short-term employee benefits ⁽²⁾	34	33
Post-employment benefits ⁽³⁾	2	2
Other long-term benefits	42	37
	78	72

(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.

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

As at 31 October

	2018		2017	
Balances with related parties	No. of units held	Value CAD million	No. of units held	Value CAD million
Stock options ⁽¹⁾	2,154,835	37	2,174,841	60
Other non-option stock based awards ⁽¹⁾	1,440,002	138	1,371,104	138
RBC common shares	453,316	43	632,631	64
	4,048,153	218	4,178,576	262

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

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2018

5. RELATED PARTY TRANSACTIONS - CONTINUED

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

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

As at 31 October 2018 total loans to KMP, RBC Directors and their close family members were \$10 million (31 October 2017 - \$10 million). RBC had no Stage 3 allowance or provision for credit losses relating to these loans as at and for the years ended 31 October 2018 and 31 October 2017. No guarantees, pledges or commitments have been given to KMP, RBC Directors or their close family members.

Immediate and ultimate controlling party

Abacus Group Services (UK) Limited is 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. The 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

Affiliates

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

Balances with related parties:

As at 31 October

(British Pounds)	2018	2017
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Analysis of cash and cash equivalents with related parties

RBC Affiliates – Cash and cash equivalents	76,937	72,440
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Amounts due from related parties

RBC Affiliates – Other receivables	-	4,497
Amounts due from related parties	-	4,497

Transactions with related parties:

(British Pounds)	2018	2017
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Income

RBC Affiliates – Cost sharing recoveries	230	22,751
Income from related parties	230	22,751

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2018

6. OPERATING LEASE ARRANGMENTS

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)	2018	2017
Within 1 year	-	31,208
In the second to fifth year inclusive	-	-
	-	31,208

7. 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	18,746	-	18,746
Disposals	(86,629)	(28,558)	(115,187)
Balance at 31 October 2017	-	-	-
Net carrying amount at 31 October 2017	-	-	-

8. 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 ("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 WMI Risk and Compliance 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.

ABACUS GROUP SERVICES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 OCTOBER 2018

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

Summary of financial assets and liabilities by category

As at 31 October

(British Pounds)	2018	2017
Financial assets		
Cash and cash equivalents	76,937	72,440
Amounts due from related parties	-	4,497
	76,937	76,937

Management is of the opinion that the fair value of financial assets and financial liabilities 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 is an indirect wholly-owned subsidiaries of RBC. In general, credit risk, market risk, currency risk, liquidity risk and capital risk are managed as part of the overall Royal Bank of Canada 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 Statement of Financial Position 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 are of a good credit quality.

The Company's exposure to credit risk pertains primarily to cash and cash equivalents with related parties. The Company's credit risk objectives, policies, and methodologies have not changed materially from last year.

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

As at 31 October 2018

	1-3 months	3-6 months	Over 6 months	Total
(British Pounds)				
Cash and cash equivalents	76,937	-	-	76,937
	76,937	-	-	76,937

As at 31 October 2017

	1-3 months	3-6 months	Over 6 months	Total
(British Pounds)				
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 2018

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

Currency risk

Management is of the opinion that there is no material impact on the Company arising from foreign exchange risk because the Company does not have material foreign exchange exposures and therefore no sensitivity analysis has been presented.

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, as such 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 come due.

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

Capital risk management

The Board views capital as comprising all components of equity including share capital and retained earnings. The Board's objectives when maintaining capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Board sets the amount of capital it requires in proportion to risk and regulatory requirements. In order to maintain or adjust the capital structure, the Board may adjust the amounts of dividends paid to the shareholder, return capital to the shareholder, issue new shares, or sell assets. The Company's overall strategy remains unchanged since last year. The Company is not subject to any external capital requirements.