Company No. 03327984

ROYAL BANK OF CANADA INVESTMENT MANAGEMENT (USA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 OCTOBER 2018

ROYAL BANK OF CANADA INVESTMENT MANAGEMENT (USA) LIMITED

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

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Clatworthy
D Ellis
T Fletcher
R Jennings
S Krag

SECRETARY

S Dowdall

REGISTERED OFFICE

Riverbank House
2 Swan Lane
London
EC4R 3BF

INDEPENDENT AUDITOR

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements (the "financial statements") of Royal Bank of Canada Investment Management (USA) Limited ("RBIM USA" or "the Company") for the year ended 31 October 2018. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

INCORPORATION
The Company is incorporated in the United Kingdom.

PRINCIPAL ACTIVITIES
The Company acts in a discretionary role to various private and corporate clients domiciled in the United States in respect of their investments portfolios. This activity will cease in the near future due to plans in place to liquidate the Company.

REGULATION
The Company is regulated by the FCA and is classified as an IFPRU 125K limited licence firm.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS
The Company reported an operating loss for the year of £0.12 million (2017: loss of £0.18 million). Following a strategic review of the business, the directors have approved a plan to liquidate the company and have exited all client relationships. The target date for winding up the Company is 31 December 2019.

RESULTS
The results of the Company are shown in the Statement of Comprehensive Income on page 9.

ACCOUNTING STANDARDS
The financial statements are prepared in accordance with all International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), adopted by the European Union and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and as per the requirements of the Companies Act 2006 as applicable to companies using IFRS and in effect as at 31 October 2018.

GOING CONCERN
As set out in note 2 of the financial statements, the Company is no longer considered to be a going concern. Following a strategic review of the business, the directors have approved a plan to liquidate the Company and have exited all client relationships. Accordingly, these financial statements have been prepared on a basis other than that of going concern and assets are shown at their estimated realisable value. The costs of liquidation, except to the extent that such costs were committed as at the reporting date, have not been accounted for in these financial statements. No adjustments were necessary in these financial statements to reduce assets to their realisable values or to provide for liabilities arising from the decision.

DIVIDEND
No dividend was paid in the year ended 31 October 2018 (2017: £nil).

THIRD PARTY INDEMNITIES
During the financial year the Company's directors benefited from qualifying third party indemnities granted by the Company's ultimate parent, Royal Bank of Canada, indemnifying the directors against liabilities and associated costs, which they could incur in the course of their duties to the Company. The indemnities remain in force as at the date of the financial statements. A copy of each of the indemnities is kept at the registered office of the Company.

CAPITAL STRUCTURE
The Company's capital structure consists of common equity shares and retained earnings.

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 14 of the financial statements.

DIRECTORS' REPORT – CONTINUED

DIRECTORS

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

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

SECRETARY

The present secretary of the Company is shown on page 2 and has served throughout the year and subsequently, except as noted below;

A Richardson	(resigned 18 September 2018)
S Dowdall	(appointed 18 September 2018)

INDEPENDENT AUDITOR

PricewaterhouseCoopers CI LLP have expressed their willingness to continue in office.

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

1. so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and

2. the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Director

14th December 2018

Director

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Companies Act 2006 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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, 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Royal Bank of Canada Investment Management (USA) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Royal Bank of Canada Investment Management (USA) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 October 2018; the statement of comprehensive income; the statement of changes in equity for the year then ended; the statement of cash flows; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

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

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

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

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

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 October 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Royal Bank of Canada Investment Management (USA) Limited (continued)

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Trudy Dillon-Nugent

Trudy Dillon-Nugent (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
Jersey, Channel Islands
14 December 2018

ROYAL BANK OF CANADA INVESTMENT MANAGEMENT (USA) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER

(Thousands of British Pounds)	Notes	2018	2017
Current assets			
Cash and cash equivalents	3	929	1,226
Trade and other receivables	4	-	131
Amounts due from related parties	13	29	45
Total assets		958	1,402
Current liabilities			
Trade and other payables	6	1	70
Amounts due to related parties	13	-	253
Total liabilities		1	323
Equity			
Share capital	7	3,650	3,650
Retained earnings		(2,693)	(2,571)
Total equity attributable to shareholders		957	1,079
Total equity and liabilities		958	1,402

The accompanying notes on pages 12 to 24 form an integral part of these financial statements.

Approved by the Board of Directors on 11th December 2018.

Signed on behalf of the Board of Directors

Stephen Kray
Director

Director

14th December 2018
Company No. 03327984

ROYAL BANK OF CANADA INVESTMENT MANAGEMENT (USA) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER

(Thousands of British Pounds)	Notes	2018	2017
Income			
Net interest		52	(25)
Investment management fees		276	1,627
Total Revenue		328	1,602
Expense			
Related party expenses	13	327	1,477
Professional fees		24	108
Equipment		100	101
Amortisation	5	-	70
Other expenses		28	72
Total expenses		479	1,828
(Loss) before income taxes		(151)	(226)
Income taxes	9	29	45
Total comprehensive (loss) for the year		(122)	(181)

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

The accompanying notes on pages 12 to 24 form an integral part of these financial statements.

There are no items of other comprehensive income in the current or preceding years.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER

(Thousands of British Pounds)	Notes	Share Capital	Retained Earnings	Total
Balance at 1 November 2016		3,150	(2,390)	760
Issue of share capital		500	-	500
Total comprehensive (loss)		-	(181)	(181)
Balance at 31 October 2017	7	3,650	(2,571)	1,079
Total comprehensive (loss)		-	(122)	(122)
Balance at 31 October 2018	7	3,650	(2,693)	957

The accompanying notes on pages 12 to 24 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER

(Thousands of British Pounds)	Notes	2018	2017
Cash flows from operating activities			
(Loss) before income taxes		(151)	(226)
Adjustments for non-cash items and others			
Amortisation of intangible assets	5	-	70
		(151)	(156)
Changes in operating assets and liabilities			
Trade and other receivables	4	131	28
Trade and other payables	6	(69)	40
Amounts due to related parties	13	(253)	(242)
		(342)	(330)
Tax - group relief received		45	120
Net cash (used) in operating activities		(297)	(210)
Cash flows from financing activities			
Proceeds from issue of share capital		-	500
Net cash from financing activities		-	500
Net change in cash and cash equivalents		(297)	290
Cash and cash equivalents at beginning of year		1,226	937
Cash and cash equivalents at end of year		929	1,226

The accompanying notes on pages 12 to 24 form an integral part of these financial statements.

1. GENERAL INFORMATION

Royal Bank of Canada Investment Management (USA) Limited (the "Company") is a company domiciled and incorporated in the United Kingdom on 5 March 1997 and is a wholly owned subsidiary of Royal Bank of Canada Investment Management (U.K.) Limited. The address of the Company's registered office is Riverbank House, 2 Swan Lane, London EC4R 3BF. The Company's business is to provide a full range of discretionary and advisory investment management services to US resident private clients and trusts.

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

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates with the exception of Note 13 where disclosure relating to key management personnel and directors is in Canadian dollars, as indicated, this being the functional currency of the parent bank, Royal Bank of Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

i) Statement of compliance

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

ii) Historical cost convention

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

(b) Going concern

The Company is no longer considered to be a going concern. The Company has reported an operating loss for the year. Following a strategic review of the business, the directors have approved a plan to liquidate the company and have exited all client relationships. The target date for winding up the company is 31 December 2019. Accordingly, these financial statements have been prepared on a basis other than that of going concern and assets are shown at their estimated realisable value. The costs of liquidation, except to the extent that such costs were committed as at the reporting date, have not been accounted for in these financial statements. No adjustments were necessary in these financial statements to reduce assets to their realisable values or to provide for liabilities arising from the decision.

(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 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) Recoverability of trade and other receivables

Trade and other receivables are assessed for impairment having regard to a number of factors including the overall quality and ageing of the receivables, historic experience of the customer relationship and evaluation of the customer's financial condition. Judgement is required when determining whether or not a provision is required in respect of trade and other receivables. There was no provision made during the year.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(d) Significant accounting judgements – continued

ii) Intangible assets

Intangible assets are assessed annually for indicators of impairment. If there is an indication that a finite life intangible asset may be impaired, an impairment test is performed by comparing the carrying amount of the intangible asset to its recoverable amount. If the recoverable amount of the intangible asset is less than its carrying amount, the carrying amount of the intangible asset is written down to its recoverable amount as an impairment loss. In addition, the remaining useful life of finite life intangible assets is reviewed on an annual basis to ensure that it is still appropriate. Significant judgement is required in estimating the useful lives and recoverable amounts of intangible assets, and assessing whether certain events or circumstances constitute objective evidence of impairment.

(e) Foreign currencies

Transactions denominated in foreign currencies are translated into pound sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into pound sterling at the exchange rate ruling at Statement of Financial Position date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured at historical cost are translated into pound sterling at historical rates and the resulting foreign exchange gains and losses are recorded in other comprehensive income until the asset is sold or becomes impaired.

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

(h) Intangible assets

Internally Developed Software

Initial system development costs are expensed until it is agreed to commence system development.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intend to complete the software and use or sell it
- There is an ability to use or sell the software
- It can be demonstrated how the software will generate probably future economic benefits
- Adequate technical , financial and other resources to complete the development and to use or sell the software are available, and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of software include employee costs. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready to use. Computer Software are amortised on a straight-line basis at an annual rate of between 20% to 33%. Capitalised costs are assessed for indicators of impairment at each reporting period.

Customer list

On the acquisition of a customer list, fair values are attributed to an intangible asset and amortised on a straight-line basis over their estimated useful lives, which in this case is deemed to be 15 years. An impairment review is undertaken on an annual basis.

(i) Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(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 agreement.

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 instruments are included in equity as a deduction from the proceeds, net of tax. Dividends on these instruments are classified as Dividend paid in the Statement of Changes in Equity.

(k) Revenue recognition
Investment Management fees are recognised as income on an accruals basis and billed on a quarterly basis.

(l) Expense recognition
Expenses are accounted for on an accruals basis and are recorded in the financial statements of the periods to which they relate.

(m) 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 country where the Company operates and generates 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 either 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, expect 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.

2. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) 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.

(o) 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. These are as issue by the IASB and have not necessarily yet been adopted by the European Union. 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 2010. 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.

3. CASH AND CASH EQUIVALENTS

As at 31 October

(Thousands of British Pounds)	2018	2017
Amounts due from related parties		
RBC Affiliates	929	1,226

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

4. TRADE AND OTHER RECEIVABLES

As at 31 October

(Thousands of British Pounds)	2018	2017
Trade receivables	-	131
	-	131

The directors are of the opinion that the carrying value of the trade and other receivables equates to their fair value. There are no amounts that are past due or impaired (2017: £nil).

5. INTANGIBLE ASSETS

2018

(Thousands of British Pounds)	Computer Software	Customer List	Total
Cost			
Balance at 1 November 2017	278	679	957
Disposal	(278)	-	(278)
Balance at 31 October 2018	-	679	679
Accumulated amortisation			
Balance at 1 November 2017	278	679	957
Disposal	(278)	-	(278)
Balance at 31 October 2018	-	679	679
Net carrying amount at 31 October 2018	-	-	-

2017

(Thousands of British Pounds)	Computer Software	Customer List	Total
Cost			
Balance at 1 November 2016	278	679	957
Balance at 31 October 2017	278	679	957
Accumulated amortisation			
Balance at 1 November 2016	238	649	887
Charge for the year	40	30	70
Balance at 31 October 2017	278	679	957
Net carrying amount at 31 October 2017	-	-	-

5. INTANGIBLE ASSETS – CONTINUED

Internally Developed Software
Initial system development costs are expensed until it is agreed to commence system development. Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads, Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready to use. Costs are depreciated on a straight-line basis at annual rate of between 20% to 33% depending on an assessment of the useful life and are assessed for indicators of impairment at each reporting period. An impairment review is undertaken on an annual basis. The computer software is fully amortised and was disposed during the year. The total amortisation for 2017 was £0.04 million.

Customer List
The customer list arises from the acquisition of the Barclays private banking business and was being amortised to the Statement of Comprehensive Income on a straight line basis through Amortisation expense over its expected useful life of 15 years. The customer list was fully amortised during the prior year. The total amortisation for 2017 was £0.03 million.

6. TRADE AND OTHER PAYABLES

Current liabilities
As at 31 October

(Thousands of British Pounds)	2018	2017
Other payables	1	70
	1	70

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

7. SHARE CAPITAL

As at 31 October

(Thousands of British Pounds)	2018	2017
Authorised share capital		
An unlimited number of ordinary shares of £1 each may be issued.		
Issued, alloted and fully paid		
3,650,000 ordinary voting shares of £1 each	3,650	3,650

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

There were no changes to the issued share capital during the current year. During the prior year 500,000 new shares of £1 each were issued to Royal Bank of Canada Holdings (U.K.) Limited. The directors continually review and monitor the capital in accordance with regulatory capital requirements.

8. AUDITOR'S REMUNERATION

As at 31 October

(Thousands of British Pounds)	2018	2017
Auditor's remuneration	6	6
Audit related assurance services	13	60
	19	66

9. INCOME TAXES

For the year ended 31 October

(Thousands of British Pounds)	2018	2017
UK corporation tax credit on (loss) for the year	29	44
Prior year tax credit	-	1
Income tax credit	29	45

The Company is resident in United Kingdom for income tax purposes and is subject to tax at 19% (2017: 19.41%)

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

(Thousands of British Pounds)	2018	2017
(Loss) before income taxes	(151)	(226)
Effect of:		
Income tax at the UK corporation tax rate 19% (2017: 19.41%)	(29)	(44)
Prior year adjustment	-	(1)
Total tax (credit) for the year	(29)	(45)

10. HUMAN RESOURCES

There were no staff costs incurred during the year (2017: £nil).

There were no persons employed during the year (2017: none).

11. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

None of the directors were directly employed by the Company. The directors did not receive any remuneration for their services to this Company (2017: £nil).

12. FUNDS UNDER MANAGEMENT

The market value of funds invested on behalf of clients was as follows:

As at 31 October

(Thousands of British Pounds)	2018	2017
Discretionary and Non-Discretionary	-	453,559

Client asset figures are based upon the most recent valuations, all of which are less than three months old.

13. RELATED PARTY TRANSACTIONS

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

13. RELATED PARTY TRANSACTIONS – CONTINUED

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 members 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 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

(In CAD million)	2018	2017
Salaries and other short-term employee benefits (2)	34	33
Post-employment benefits (3)	2	2
Share-based payments	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

For the year ended 31 October

	2018		2017	
	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 and preferred 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.

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 has no Stage 3 allowance or provision for credit losses relating to these loans as at and for the year ended 31 October 2018 (2017: none). No guarantees, pledges or commitments have been given to KMP, RBC Directors or their close family members.

13. RELATED PARTY TRANSACTIONS – CONTINUED

Immediate and ultimate controlling party
Royal Bank of Canada Investment Management (USA) Limited is a wholly-owned subsidiary of Royal Bank of Canada Investment Management (U.K.) Limited a company registered in England and Wales. Royal Bank of Canada Investment Management (U.K.) Limited is a wholly-owned subsidiary of Royal Bank of Canada Holdings (U.K.) Limited a company registered in England and Wales.

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 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

(Thousands of British Pounds)	2018	2017
Cash and cash equivalents with related parties		
RBC Affiliates - Cash and cash equivalents	929	1,226
Amounts due from related parties		
RBC Affiliates – Group relief	29	45
Amounts due from related parties	29	45
Amounts due to related parties		
Ultimate parent - Other payables	-	19
RBC Affiliates – Other	-	234
Amounts due to related parties	-	253

Amounts due to fellow subsidiaries are unsecured, interest free and repayable on demand.

Transactions with related parties
For the year ended 31 October

(Thousands of British Pounds)	2018	2017
Income		
RBC Affiliates – Net interest income	11	-
RBC Affiliates – Other income	(2)	(102)
	9	(102)
Expenses		
Ultimate Parent - Head office recharges	40	238
RBC Affiliates – Internal fees and charges	287	1,239
	327	1,477
Issue of share capital to RBC Investment Management (U.K.) Limited	-	500

14. 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 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.

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

Summary of financial assets and liabilities by category

As at 31 October

(Thousands of British Pounds)	2018	2017
Financial assets		
Cash and cash equivalents	929	1,226
Trade receivables	-	131
Amounts due from related parties	29	45
	958	1,402
Financial liabilities		
Amounts due to related parties	-	253
Other payables	1	70
	1	323

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

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

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

The Company is an indirectly wholly-owned subsidiary of RBC. In general, credit risk, currency 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 Statement of Financial Position as noted in the above table. The Company's directors consider that all the above financial assets at each year end date under review are of a good credit quality.

The Company's credit risk objectives, policies, and methodologies have not changes materially from last year.

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

(Thousands of British Pounds)	1-3 months	3-6 Months	Over 6 months	Total
31 October 2018				
Cash and cash equivalents	929	-	-	929
Trade and other receivables	-	-	-	-
Amounts due from related parties	-	-	29	29
	929	-	29	958
31 October 2017				
Cash and cash equivalents	1,226	-	-	1,226
Trade and other receivables	131	-	-	131
Amounts due from related parties	-	-	45	45
	1,357	-	45	1402

Per the Capital Requirement Regulation the maximum exposure to credit risk as at the balance sheet date is nil (2017: £0.4 million).

Currency risk
Certain of the Company's transactions are conducted in United States dollars, Canadian dollars and Euros. Consequently, the Company is exposed to foreign exchange risk on these transactions and any resulting foreign exchange gains/losses are recognised in the Statement of Comprehensive Income.

As pounds sterling represented 98% of the Total Assets and Liabilities at 31 October 2018 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.

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

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, which hasn't changed since last year, 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.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without risking damage to the Company's reputation.

Liquidity risk is also considered minimal as receivables and payables are short term in nature and the Company maintains high levels of liquid cash balances.

The directors are of the opinion that the carrying value of the company's payables equate to their fair value.

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

(Thousands of British Pounds)	Less than 6 months	6 months to 1 year	1-5 year	Total
31 October 2018				
Other payables	1	-	-	1
Amounts owed to related parties	-	-	-	-
	1	-	-	1
31 October 2017				
Other payables	70	-	-	70
Amounts owed to related parties	253	-	-	253
	323	-	-	323

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 a regulated entity and the FCA imposes minimum capital requirements, which require the Company to maintain a minimum level of capital and to monitor it's capital adequacy on a regular basis. The Company was in compliance with the regulatory capital requirements throughout the year ended 31 October 2018 and the year ended 31 October 2017.

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

Regulatory capital requirements
The Company is regulated by the FCA and is classified as an IFPRU 125K limited licence firm.

The Capital Requirements Regulation (CRR) brings in a new EU-wide supervisory reporting framework for Financial Reporting (FINREP) and Common Reporting (COREP). The latest version of this legislation – CRD IV – came into effect on 1 January 2014.

The aim of CRD IV is to minimise the negative effects of firms failing by ensuring that firms hold enough financial resources to cover the risk associated with their business.

Under CRD IV the Company's capital adequacy is assessed based on Own Funds Requirement as per articles 92(3), 95, 96 and 98 of CRR.

Capital adequacy is an elaborate framework that provides the detailed breakdown of an institution's own fund requirements, Pillar 1 capital requirements using various approaches, transitional provisions, capital ratios, and buffers. The COREP report comprises of five capital adequacy templates. Below is a brief description of each of the five capital adequacy templates:

1. **Own funds** – details the own funds of an institution in three different types of capital. Own funds of an institution are the sum of Tier 1 and Tier 2 capitals. Tier 1 capital comprises the Common Equity Tier 1 and the Additional Tier 1 capital.

2. **Own funds requirements** – provides the information related to the different approaches for the Pillar 1 requirements for:
➢ Credit risk (including counterparty, dilution and settlement risks)
➢ Market risk (including position risk, foreign exchange and commodities risk)
➢ Operational risk
➢ Additional risk exposure amount due to fixed overheads

3. **Capital ratios** –calculates the capital ratios based on the own funds requirements. All institutions must satisfy the following own funds requirements:
➢ A common equity tier 1 capital ratio of 4.5%
➢ A Tier 1 capital of 6%
➢ A total capital ratio of 8%

4. **Memorandum items** – list the memorandum items needed for calculating items under Own funds, capital buffer and pillar II requirements.

5. **Transitional provisions** – calculates the effect of transitional provisions in own funds. For each type of capital the adjustments due to transitional provisions are reported under:
➢ Grandfathered instruments
➢ Minority interest
➢ Other adjustments

The Company is required to undertake an Internal Capital Adequacy Assessment Process (ICAAP), under which the Board quantifies the level of capital required to meet operational risks; this is referred to as the Pillar 2 capital requirement. The objective of this process is to ensure that firms have adequate capital to enable them to manage their risks which may not be adequately covered under the Pillar 1 requirements. This is a forward looking exercise which includes stress testing for the effects of major risks. These tests consider how the company would cope with a significant market downturn, for example, and include an assessment of the company's ability to mitigate the risks.

The Company maintained surpluses over the regulatory capital requirement throughout 2018.