BlueBay Asset Management Ltd

Report and financial statements
For the 16 month period ended 31 October 2011

Registered number 03262598

Contents

Directors' report

The Directors submit their report together with the audited Financial Statements for the 16 month period ended 31 October 2011 as required by the Companies Act 2006

Principal activity

The principal activity of BlueBay Asset Management Ltd ("the Company") is the provision of investment management and advisory services to institutions and high net worth individuals

The Company is authorised and regulated by the Financial Services Authority ("FSA") The Company's FSA Pillar 3 disclosures are available on its website www bluebayinvest com

Called up share capital

As at 31 October 2011, the called up capital of the Company consisted of 198,635,001 shares of £0 01 each

The Company is a wholly-owned subsidiary of Royal Bank of Canada ('RBC') since 17 December 2010 As a result of the acquisition of the Company by RBC, the Company's accounting year end was aligned with RBC, by changing it from 30 June to 31 October As a result the current accounting period is the 16 months ended 31 October 2011

Business Review

The results for the 16 month period ended 31 October 2011 are set out in the income statement on page 9 BlueBay continues to be one of the largest independent managers of fixed income credit in Europe BlueBay's costs related to its acquisition by RBC are disclosed in note 2 to the financial statements and the impact of the acquisition on the costs of share based payments is disclosed in note 4

As at 31 October 2011 the Company's assets under management were US$39 5 billion (30 June 2010 US$34 3 billion)

BlueBay offers two different product lines to its clients long-only funds and alternative funds Its long-only funds are designed as actively managed products with the objective of producing targeted excess returns over their benchmarks over the course of the credit cycle Its alternative funds are intended to produce attractive risk-adjusted absolute returns to investors over the long-term During the period BlueBay launched a number of new long only and alternative funds The Company also manages a number of segregated long-only accounts on behalf of large institutional clients During the period BlueBay began to act as sub-advisor to Canadian retail funds managed by RBC

BlueBay distributes its products either directly to institutional clients or indirectly via intermediaries such as third party distributors It has its headquarters in London with additional offices in Tokyo, Connecticut, Luxembourg and a new office in Hong Kong which was opened during the period

Financial Risks

The Company's income is derived from investment management fees earned from the management of assets within funds and segregated client accounts The Company is therefore exposed to market volatility in respect of the assets it manages The Company is also exposed to Operational Risk (the risk of loss resulting from inadequate or failed processes, people and systems or from external events) in its management of these assets The Company has in place various controls and systems to mitigate the risks related its management of the assets

Liquidity risk is the risk that the Company may be unable to meet its payment obligations as they fall due Liquidity risk is mitigated by the fact that the Company has no debt, maintains cash levels in excess of regulatory capital requirements and its main cost items are discretionary compensation linked to the profitability of the funds it is managing

Counterparty credit risk is primarily the risk of a potential loss of cash reserves due to bank failure To mitigate this risk, BlueBay has diversified its banking relationships across highly rated systemically important banks

Foreign exchange risk is primarily the risk that the value of fees generated from foreign currency fund products may decline in sterling terms due to fluctuations in the exchange rate Senior management monitor the Company's exposure to foreign exchange risk on a regular basis and may take appropriate measures which includes the use of derivatives, to manage this risk

Going Concern
The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, based on their review of the Company's future profitability and cash flows, and accordingly continue to adopt the going concern basis in preparing the Financial Statements

Results and dividends
The financial statements for the 16 month period ended 31 October 2011 are set out on pages 9 to 47 The retained profit for the 16 month period ended 31 October 2011 after taxation was £13,385,000 (Year ended 30 June 2010 £35,408,000)

During the 16 month period ended 31 October 2011, the Company paid a dividend of £14,884,000 (Year ended 30 June 2010 23,873,000)

Political and charitable donations
Charitable donations of £5,000 were made by the Company during the 16 month period ended 31 October 2011 (Year ended 30 June 2010 £83,000)

No political donations or contributions were made or expenditure incurred by the Company during the 16 month period ended 31 October 2011 (Year ended 30 June 2010 nil)

Directors
The Directors who served during the year and up to the date of signing the financial statements were as follows
Hugh Willis (Executive Director) - Served throughout the period
Mark Poole (Executive Director) - Served throughout the period
Nick Williams (Executive Director) - Served throughout the period
Alex Khein (Executive Director) - Served throughout the period
Alan Gibbins (Independent Non Executive Director) - Served throughout the period

John Roberts (Independent Non Executive Director – Chairman) – Served from 25 January 2011
John Montalbano (Non Executive Director) – Served from 25 January 2011
Dan Chornous (Non Executive Director) – Served from 26 January 2011
Frank Lippa (Non Executive Director) – Served from 2 February 2011
Katherine Gibson (Non Executive Director) – Served from 30 March 2011
Graeme Hepworth (Non Executive Director) – Served from 28 June 2011

Hans-Jorg Rudloff (Non Executive Chairman) – Served 1 July 2010 to 17 December 2010
Terence Eccles (Non Executive Senior Independent Director - Served 1 July 2010 to 17 December 2010
Tom Cross Brown (Independent Non Executive Director) - Served 1 July 2010 to 17 December 2010
Stuart Rutledge (Non Executive Director) – Served 25 January 2011 to 4 March 2011
John Burbidge (Non Executive Director) – Served 25 January 2011 to 15 June 2011

None of the Directors held any share capital of the Company at 31 October 2011 (30 June 2010 Hugh Willis 16,880,000, Mark Poole 16,880,000, Nick Williams 2,544,589, Alex Khein 4,005,151 and Alan Gibbins 10,000)

Credit payment policy
It is the Company's policy to honour all of its contractual commitments and this includes paying suppliers according to agreed terms Average creditor days at 31 October 2011 were 10 days (30 June 2010 11 days)

Auditors
Each of the persons who is a Director at the date of approval of these financial statements confirms that

- So far as the Director is aware, there is no relevant audit information of which the Company auditors are unaware, and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of the s418 of the Companies Act 2006

Deloitte LLP has expressed their willingness to continue in office as Auditor

By the order of the Board of BlueBay Asset Management Ltd on 26th January 2012

Director **Nick Williams**
Date 26 January 2012

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law 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 (IFRSs) 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 In preparing these financial statements, International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The Directors 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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent Auditor's Report to the members of BlueBay Asset Management Ltd

We have audited the financial statements of BlueBay Asset Management Ltd for the 16 month period ended 31 October 2011 which comprise the Income Statement, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Shareholders' Equity, Cash Flow Statement, Significant Accounting Policies and the related notes 1 - 24 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 October 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Garrath Marshall (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
26 January 2012

Income Statement

For the 16 months ended 31 October 2011

	Notes	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Revenue	1	231,138	153,756
Cost of sales – commissions		(28,663)	(16,383)
Gross profit		202,475	137,373
Other income	3	3,157	1,283
Other expenses	3	(707)	(1,049)
Administrative expenses	2	(180,453)	(88,473)
Operating profit		**24,472**	**49,134**
Finance income	6	400	262
Profit on ordinary activities before taxation		**24,872**	**49,396**
Taxation	7	(11,487)	(13,988)
Profit for the period / year attributable to ordinary equity shareholders		**13,385**	**35,408**

The significant accounting policies and notes on pages 15 to 47 are an integral part of these Financial Statements

All results during the financial period/year were from continuing operations

Statement of Other Comprehensive Income

For the period ended 31 October 2011

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Profit for the period/year	**13,385**	**35,407**
Other comprehensive income:		
Unrealised losses on Available-for-Sale Investments	(1,856)	-
Current tax on Available-for-Sale Investments	503	-
Total comprehensive income for the period/year, net of tax, attributable to owners of the parent	**12,032**	**35,407**

Balance Sheet

As at 31 October 2011

	Notes	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Assets			
Non-current assets			
Property, plant and equipment	10	1,945	3,231
Intangible assets	11	362	694
Deferred tax asset	17	11,068	9,253
Trade and other receivables	13	8,871	5,859
Financial assets	12	5,969	444
Total non-current assets		28,215	19,481
Current assets			
Trade and other receivables	13	29,083	37,868
Derivative financial instruments	14	-	1,439
Financial assets	12	45,519	2,053
Cash and cash equivalents	15	81,694	89,727
Total current assets		156,296	131,087
Total assets		**184,511**	**150,568**
Liabilities			
Non-current liabilities			
Trade and other payables	16	2,059	1,363
Deferred tax liability	17	-	385
Total non-current liabilities		2,059	1,748
Current liabilities			
Trade and other payables	16	41,986	41,754
Dividend declared and unpaid	8	-	456
Current tax liabilities		1,655	3,135
Total current liabilities		43,641	45,345
Total liabilities		**45,700**	**47,093**

Balance Sheet (continued)

As at 31 October 2011

	Note	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Shareholders' equity			
Called up share capital	19	199	199
Share premium	19	33,906	33,691
Retained earnings		106,058	67,658
Other components of equity		(1,352)	1,927
Total shareholders' equity		**138,811**	**103,475**
Total equity and liabilities		**184,511**	**150,568**

The significant accounting policies and notes on pages 15 to 47 are an integral part of these Financial Statements

BlueBay Asset Management Ltd Registered Company Number 03262598

The Financial Statements on pages 9 to 47 were approved by the Board of Directors and authorised for issue on 26 January 2012 and signed on its behalf by

Director **Nick Williams**

Statement of Changes in Shareholders' Equity

	Notes	Called up share capital	Share premium	Retained earnings	Other components of equity: Available for sale securities	Other components of equity: Deferred tax	Total
		£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 July 2010		**199**	**33,691**	**67,658**	**-**	**1,927**	**103,475**
Profit for the year		-	-	13,385	-	-	13,385
Share-based payments		-	-	38,948	-	-	38,948
Deferred tax on share-based payments reversed following purchase of shares held by Employee Benefit Trust by RBC		-	-	-	-	(1,668)	(1,668)
Dividends	8	-	-	(14,884)	-	-	(14,884)
Exercise of share options	19	-	7	-	-	-	7
Capital contribution to subsidiaries		-	-	106	-	-	106
Purchase of own shares by Employee Benefit Trust		-	-	(106)	-	-	(106)
Deferred tax asset utilised against current year profits	17	-	-	259	-	(259)	-
Other comprehensive income		-	-	-	(1,352)	-	(1,352)
Surplus funds returned from Employee Benefit Trust following purchase of shares held by Employee Benefit Trust by RBC		-	208	692	-	-	900
Balance at 31 October 2011		**199**	**33,906**	**106,058**	**(1,352)**	**-**	**138,811**

	Notes	Called up share capital	Share premium	Retained earnings	Other components of equity: Available for sale securities	Other components of equity: Deferred tax	Total
		£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 July 2009		194	32,484	47,019	-	2,434	82,131
Profit for the year		-	-	35,407	-	-	35,407
Share-based payments		-	-	11,319	-	-	11,319
Deferred tax on share-based payments		-	-	-	-	3,911	3,911
Dividends	8	-	-	(23,873)	-	-	(23,873)
Exercise of share options		5	1,207	-	-	-	1,212
Funding of own shares for Employee Benefit Trust		-	-	17	-	-	17
Funding of own shares for Share Incentive Plan		-	-	(6,649)	-	-	(6,649)
Deferred tax asset utilised against current year profits	17	-	-	4,418	-	(4,418)	-
Balance at 30 June 2010		**199**	**33,691**	**67,658**	**-**	**1,927**	**103,475**

The significant accounting policies and notes on pages 15 to 47 are an integral part of these Financial Statements

Cash Flow Statement

For the 16 months ended 31 October 2011

	Notes	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Cash flows from operating activities			
Cash generated from operations	21	72,072	69,505
Corporation tax paid		(16,331)	(9,844)
Net cash generated from operating activities		55,741	59,661
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(802)	(431)
Purchase of intangible assets	11	(198)	(52)
Purchase of non-current financial assets	12	(5,419)	(427)
Purchase of current financial assets	12	(46,649)	(2,468)
Sale of non-current financial assets	12	-	80
Sale of current financial assets	12	619	671
Realised gains on derivative financial instruments		3,214	-
Net cash used in investing activities		(49,235)	(2,627)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	19	7	1,212
Funding of Employee Benefit Trust		-	(6,649)
Purchase of own shares		(106)	-
Return of funds from Employee Benefit Trust		900	-
Dividends paid		(15,340)	(23,873)
Net cash used in financing activities		(14,539)	(29,310)
Net (decrease) / increase in cash and cash equivalents		**(8,033)**	**27,724**
Cash and cash equivalents at beginning of period		89,727	62,003
Cash and cash equivalents at end of the period		**81,694**	**89,727**

The Company did not have any overdrafts repayable on demand at the end of each accounting period

The significant accounting policies and notes on pages 15 to 47 are an integral part of these Financial Statements

Significant Accounting Policies

Basis of accounting

BlueBay Asset Management Ltd ("the Company") is a limited company and is domiciled and incorporated in the United Kingdom under the Companies Act 2006 The Company's registered office is 77 Grosvenor Street, London, W1K 3JR On 17 December 2010 the company was acquired by Royal Bank of Canada ('RBC') Prior to this date the Company was listed on the London Stock Exchange The Company changed its status from a public limited company to a private limited company on 5 January 2011

The investment products sold by the Company are issued by independent fund entities for whom the Company acts as the investment manager The fund entities have Boards of Directors comprising a majority of independent Directors, with independent governance and decision-making powers The Company does not have a controlling interest in any of its funds The fund entities' results, assets and liabilities are therefore separate from the Company and are not consolidated into the Company Financial Statements

The results of investment management activities are reflected in the Financial Statements as performance fees and management fees and associated receivables

The significant accounting policies applied in the preparation of the Financial Statements are summarised below These policies have been consistently applied in the current period and prior year

a) Basis of preparation
The Financial Statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), which comprise standards and interpretations issued by either the International Accounting Standards Board ('IASB') or the International Financial Reporting Interpretations Committee ('IFRIC') or their predecessors, as adopted by the European Union ('EU') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The Financial Statements have been prepared under the historical cost convention, except for the measurement at fair value of derivative financial instruments and certain financial assets that are held at fair value through profit or loss The Financial Statements have been prepared on a going concern basis

b) Basis of consolidation
In accordance with the provisions of Section 401 of the Companies Act 2006 the company is exempt from preparing and delivering consolidated financial statements

c) Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

d) Impact of new accounting standards
The following new accounting standards and amendments to existing standards and interpretations that became effective during the 16 month period ended 31 October 2011 Their adoption has not had any significant impact on these financial statements

(i) IFRS 2 (amended) - " Group Cash-settled Share-based Payment Transactions"
(ii) IAS 32 (amended) - "Classification of Rights Issues"
(iii) IFRIC 19 - "Extinguishing Liabilities with Equity Instruments"

Significant Accounting Policies (continued)

e) New IFRS standards and interpretations not yet effective nor applied

The following accounting standards and amendments to standards have been issued by the IASB but are not effective for the 16 month period ended 31 October 2011 (and in some cases have not yet been adopted by the European Union) and have not been applied in preparing these financial statements

(i) IFRS 9 – 'Financial Instruments' (effective for interim and annual period beginning 1 January 2015)
(ii) Amendment to IAS 1 – "Financial Statements Presentation" (effective for interim and annual periods beginning 1 January, 2013)
(iii) IFRS 10 – "Consolidated Financial Statements" (effective for interim and annual periods beginning 1 January, 2013)
(iv) IFRS 11 – "Interests in Joint Ventures" (effective for interim and annual periods beginning 1 January, 2013)
(v) IFRS 12 – "Disclosure of Interests in Other Entities" (effective for interim and annual periods beginning 1 January, 2013)
(vi) IFRS 13 – "Fair Value Measurement" (effective for interim and annual periods beginning 1 January, 2013)
(vii) Amendment to IAS 19 – "Employee Benefits" (effective for interim and annual periods beginning 1 January, 2013)
(viii) IAS 24 (Revised) – "Related Party Disclosures" (effective for interim and annual periods beginning 1 January 2011)
(ix) Amendment to IFRIC 14 – "Prepayments of a Minimum Funding Requirement" (effective for interim and annual periods beginning 1 January 2011)
(x) IAS 27 – "Separate Financial Statements" (effective for annual periods beginning 1 January 2013)
(xi) IAS 28 – "Investments in Associates and Joint Ventures" (effective for annual periods beginning 1 January 2013)
(xii) Amendment to IFRS 7 – "Financial Instruments Disclosures" (effective for annual periods beginning 1 July 2011)
(xiii) Amendment to IAS 12 – "Deferred Tax Recovery of Underlying Assets" (effective for annual periods beginning 1 January 2012)

The adoption of IFRS 9 will impact the measurement ad disclosures of financial instruments The Company is assessing the impact of IFRS 9 on the Financial Statements

The Company is assessing the other new standards and interpretations and expects that they are not likely to have a significant impact on the Company's results

f) Critical accounting estimates and judgements

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the Financial Statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the Financial Statements, are discussed below

Staff costs

The Company's compensation year runs on a calendar year basis At 31 October 2011, an estimate is made in the Company's Income Statement of the bonus expense for the ten-month period then ended, and a corresponding liability, for both cash bonuses and the deferred compensation scheme expense, is recognised within trade and other payables See note s(iii) below for further details on bonus arrangements and note s(ii) for further details on the deferred compensation scheme

Significant Accounting Policies (continued)

g) Intangible assets

Computer software licences acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software These costs are amortised using the straight-line method over their estimated useful lives

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets Direct costs include software development and associated contractor costs Other costs for developing or maintaining computer software programmes are recognised as an expense as incurred

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount

The following useful lives have been determined for the intangible assets acquired during the year and are consistent with the useful lives for intangible assets acquired in prior years

Computer software licences	3-5 years

h) Property, plant and equipment

All property, plant and equipment is shown at cost, less subsequent depreciation and impairment Cost includes expenditure that is directly attributable to the acquisition of the assets Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits

associated with the item will flow to the Company and the cost of the item can be measured reliably All other repair and maintenance expenditures are charged to the Income Statement during the financial period in which they are incurred

Depreciation is calculated using the straight-line method to reduce the cost of each asset to its residual value over its useful life as follows

Leasehold improvements	5 years
Furniture, fixtures and fittings	3 years
Information and communication technology equipment	3-5 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Income Statement

Significant Accounting Policies (continued)

i) Financial assets

(i) Classification

Non-current financial assets relate to investments held in subsidiaries

Current financial assets are classified at inception based management's intention, as at fair value through profit or loss (FVTPL) or available-for-sale (AFS)

Current financial assets designated as at FVTPL under the fair value option relate fund units forfeited and/or fund units acquired from employees under the Company's 'Deferred Bonus Plan'

Current financial assets treated as Available-for-Sale relate to the purchase of units funds in new Investment Funds managed by the Company The purpose of this investment is to enable the funds to establish a track record which will be used to market the fund to investors

(ii) Recognition and Measurement

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset or the date on which financial assets are forfeited back to the Company under the deferred compensation scheme Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership

Non-current financial assets are held at cost less provision for impairment

FVPTL financial assets are held at fair value The fair values of the investments in funds designated at FVTPL are determined by using the published net asset values of the funds at the Balance Sheet date Gains and losses arising from changes in the fair value of financial assets designated as FVTPL are included in other income/expense in the Income Statement in the period in which they arise

AFS financial assets are held at fair value The fair values of AFS fianancial assets are determined by using the published net asset values of the funds at the Balance Sheet date Unrealized gains and losses arising from changes in fair value are included as a separate component of equity When the fund investment is redeemed, the cumulative gain or loss recorded in Other Comprehensive Income (OCI) is included in other income/expense in the Income Statement

(iii) Fair value option

A financial instrument can be designated as at FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing it in the near term An instrument that is designated as at FVTPL by way of this fair value option must have a reliably measurable fair value and satisfy one of the following criteria (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing gains and losses on them on a different basis, (ii) it belongs to a group of financial assets or financial liabilities or both that are managed and evaluated on a fair value basis in accordance with our risk management or investment strategy, and are reported to senior management on that basis, or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract

Financial instruments designated as at FVTPL using the fair value option are recorded at fair value and any unrealized gain or loss arising due to changes in fair value is

Significant Accounting Policies (continued)

included as Trading revenue These instruments cannot be reclassified out of the FVTPL category while they are held or issued

j) Derivative financial instruments

(i) Derivative financial instruments and hedging activities

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and does not hold or issue derivative financial instruments for speculative purposes The Company does not designate any derivatives as hedging instruments and does not apply hedge accounting Derivatives are, therefore, initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value at each Balance Sheet date The resulting gains or losses are recognised immediately in the Income Statement within other income / expense Derecognition of derivative assets and liabilities occur on the expiry date of the derivative contract or when contracts have subsequently been cancelled

(ii) Financial risk factors

A qualitative analysis of the financial risks facing the Company is provided in the Directors' report

k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables The amount of the provision is difference between the assets' carrying amounts and the present value of their estimated future cash flows, discounted at the effective interest rate The initial amount of the provision and subsequent changes are recognised in the Income Statement in administrative expenses

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term, highly liquid investments with original maturities of three months or less

m) Trade and other payables

Trade and other payables are recorded initially at fair value and subsequently at amortised cost

n) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated Management reassesses the amounts of these provisions at each Balance Sheet date in order to ensure that they are measured at the current best estimate of the expenditure required to settle the obligation at the Balance Sheet date Any difference between the amounts previously recognised and the current estimates is recognised immediately in the Income Statement

o) Income recognition

(i) Revenue

Revenue comprises the fair value for the provision of services, net of any value added tax, rebates and discounts Revenue is recognised as follows

a) Management fees - which include all non-performance related fees, are recognised in the period in which the services are rendered

b) Performance fees - are calculated by reference to the appreciation in the net asset value of the relevant fund during the performance period Performance fees are only recognised once they can be measured reliably The Company can only reliably measure a performance fee when the net asset value of the relevant fund can be accurately calculated for the end of the performance fee period Performance fees are not recognised where performance fee periods end after the Company's Balance

Significant Accounting Policies (continued)

Sheet date, since the net asset value could move significantly between these two dates, as a result of market movements

(ii) Interest income
Interest income is recognised on a time-proportion basis using the effective interest method When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income

(iii) Sub-lease rental income
Sub-lease rental income arising from operating leases is recognised on a straight-line basis over the life of the related sub-lease agreement Sub-lease rental income is netted against rental expenses within administrative expenses in the Income Statement

(iv) Directors' fee income
The Company receives fees in circumstances where employees of the Company act as Directors of external investee companies The fees are recognised in the period in which the services are rendered

p) Fair value estimation

The fair value of unlisted financial assets (investments in the funds) is based on the net asset valuations of the funds at the Balance Sheet date

q) Commission payments

The Company operates a number of distribution agreements Commission payments made to intermediaries for ongoing services under these distribution agreements are charged to the Income Statement as a cost of sale in the period in which the service is provided There are no arrangements where commission payments are not for ongoing services

r) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases All the Company's leases are operating leases and the rental charges are included in the Income Statement on a straight-line basis over the term of the lease

As lessee, costs under operating leases are charged to the Income Statement in equal amounts over the periods of the leases Incentives received to enter into leases are amortised on a straight-line basis over the term of the lease

s) Employee benefits

(i) Pension costs
The Company operates a defined contribution scheme Employees may contribute directly to this scheme The Company makes no contributions to the scheme and there is therefore no cost in the Financial Statements

(ii) Deferred compensation scheme
The Company also operates a deferred compensation scheme for certain employees under which a portion of an employee's bonus is invested in units in funds managed by the Company

The amount invested in the nominated fund is initially recognised as a prepayment when the fund units are acquired This prepayment is subsequently released over the vesting period as the charge for the deferred compensation scheme is recognised in the Income Statement

Significant Accounting Policies (continued)

Units in the funds are purchased by and held in the name of a nominee company for the benefit of relevant employees Such units are not included in the Company Financial Statements Units are subject to forfeiture provisions As and when units are forfeited, the relevant prepayment is reclassified to a financial asset In certain circumstances, the Company may also acquire fund units from employees on vesting The purchases of such units are recognised as a financial asset (see note 13) Prior to its acquisition by RBC, the Company operated equity settled, share based compensation plans On 17 December 2010, all unvested equity awards were purchased by RBC and the proceeds used to make new awards, on the same vesting terms under the Deferred Compensation Scheme

(iii) Profit-sharing and bonus plans
The Company operates non-contractual bonus pools based on formulas that take into consideration either profitability or strategy profitability (with reference to investment performance), on a calendar year basis The formulas are reviewed and approved annually by the Remuneration Committee At the end of the financial period, the Company recognises a liability for bonus pools accrued but not yet paid

t) Foreign currency translation

(i) Functional and presentation currency
The Financial Statements are presented in Pound Sterling ("GBP"), which is the Company's functional and presentation currency and the currency in which the Company's assets, liabilities and funding are predominantly denominated

(ii) Transactions and balances
Foreign currency transactions are translated into the Company's functional currency using the exchange rate prevailing at the date of the transactions or, where it is more practical, the Company may use an average rate for the week or month for all transactions in each foreign currency occurring during that week or month (as long as the relevant exchange rates do not fluctuate significantly) Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in other income / expense in the Income Statement

u) Taxation

(i) Income tax
Income tax on the profit or loss for the period comprises current and deferred tax Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in shareholders' equity or Other Comprehensive Income, in which case it is recognised in the Statement of Changes in Equity or Comprehensive Income

Current tax is the expected tax payable on the taxable income for the period, using rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years

(ii) Deferred tax
Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the Balance Sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

Significant Accounting Policies (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised

v) Dividend distribution
Dividend distributions to the Company's shareholders are recognised in the Company's Financial Statements in the period in which the dividend is declared or approved by the Company's shareholders

w) Share capital and share premium
Ordinary shares are classified as shareholders' equity Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the share premium account

x) Other components of equity – deferred tax
Other components of equity – deferred tax comprises deferred tax in respect of tax deductions available on share-based remuneration arrangements The deferred tax recognised in the Income Statement in respect of the share schemes is limited to the corresponding cumulative share-based payments expense recognised multiplied by the ruling tax rate Any excess is taken to other reserves The deferred tax deduction recognised in other components of equity is transferred to retained earnings when utilised against current and prior year tax charges

y) Capital contribution to employees of overseas subsidiaries
Prior to its acquisition by RBC, the Company awarded shares in itself to employees of its overseas subsidiaries The cost of the shares awarded to overseas subsidiary employees which following the RBC acquisition have been converted to deferred awards of units in funds managed by the Company, is initially recognised as a capital contribution within non-current financial assets, with a corresponding credit entry being made to retained earnings The capital contribution recognised builds up over the vesting period The capital contribution corresponds to the amounts recorded in respect of the share awards by the relevant subsidiaries in their individual financial statements

Notes to the financial statements

1. Revenue

Revenue and profit before tax are attributable to the Company's principal activity and sole class of business being the provision of investment management and advisory services to institutions and high net worth individuals

Although the Company's offices are located in London, investment management income is generated in the jurisdiction either where fund product entities are registered or where clients who mandate the Company through segregated accounts are domiciled

The geographical breakdown of revenue is as follows,

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Europe		
Luxembourg	172,215	97,831
United Kingdom	3,035	4,307
Other Europe	24,224	14,379
The Americas		
Cayman Islands	27,038	35,843
United States of America	1,661	1,298
Rest of the World	2,965	98
	231,138	153,756

2. Administrative expenses

	Notes	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
The following items have been included in administrative expenses			
Staff costs	4	127,320	64,908
Costs relating to acquisition of Company by RBC		12,265	-
Depreciation	10	2,089	1,756
Amortisation	11	530	458
Other operating lease rentals paid			
Property		5,035	3,826
Computer software		1,184	826

Property operating lease rentals payable of £5,035,471 is stated net of sub-lease rental income of £99,725 (2010 sub lease income £25,000) Of the sub-lease rental income of £99,725 23, 100% was in respect of a related party – please refer to Note 22

Notes to the financial statements (continued)

Audit and non-audit fees

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Fees payable to the Company's auditor for the audit of the Financial Statements	175	186
Fees payable to the Company's auditor for other services		
Other services pursuant to legislation	11	74
Taxation services	-	137
Other services	-	168
Total auditor's remuneration	186	565

3. Other income and expenses

Other income includes the following items	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Directors' fee income	-	13
Gains on financial assets designated as at fair value through profit and loss	-	134
Gains on derivative financial instruments	1,775	1,136
Net foreign exchange differences recognised	1,382	-
Total other income	3,157	1,283
Other expenses include the following items		
Net foreign exchange differences recognised	-	(1,049)
Losses on financial assets designated as at fair value through profit and loss	(707)	-
Total other expenses	(707)	(1,049)

Fair value losses recognised on financial assets designated as at fair value through profit and loss relate to fund units which were previously awarded under the deferred compensation scheme and which have since been forfeited by and/or acquired from employees

4. Staff costs

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Wages and salaries	59,687	38,835
Social security costs	15,760	8,234
Increase in charges in respect of Reward Plan (previously share award scheme)	26,772	-
Reward Plan (previously share award scheme)	12,175	11,319
Deferred Bonus Plan (previously Deferred compensation scheme)	12,927	6,521
Total staff costs	127,320	64,909

Included within social security costs is £6,284,529 in relation to employee share-based payment schemes (re-awarded into fund units) (2010 £2,532,435) and £2,107,904 (2010 £1,239,860) in relation to social security costs associated with the deferred compensation scheme

Notes to the financial statements (continued)

The increase in expense related to the Reward Plan arises on the difference between the cost of BlueBay Asset Management plc shares awarded to employees in prior years and the amount RBC paid to acquire the shares on 17 December 2010 The proceeds from the acquisition of these shares have been reinvested in units in various funds for which the Company acts as Investment Manager The fund unit awards vest on the same date as the original plc share awards The cost of the fund unit awards is amortised over the vesting period

All employees are eligible for an annual discretionary bonus In addition to cash bonuses, the Company operated various non-cash remuneration schemes during the period

(i) Plc share award scheme
Prior to its acquisition by RBC, the Company awarded certain employees shares in itself Following the acquisition of the Company by RBC on 17 December 2010 this scheme is no longer in operation All shares related to unvested deferred awards under this scheme were purchased by RBC and the proceeds were re-invested via one of the Company's Employee Benefits Trusts, into fund units in various funds for which the Company is the Investment Manager, under the Deferred Bonus and Reward plans described below This has been treated as a modification of the original equity awards and the cost of the re-invested fund units is being amortised over the remaining vesting period

(ii) Deferred Bonus Plan and Reward Plan (previously Deferred compensation scheme)
The Company operates a deferred compensation programme Under the terms of this scheme the Company has purchased units in various funds for which the Company acts as investment manager The units in the funds purchased are held in the name of a nominee company for the benefit of relevant employees Units are subject to forfeiture provisions

Staff costs include all amounts paid to employees, salaries, cash bonuses, deferred compensation and share-based payments These costs include Directors' remuneration

The average number of persons employed by the Company during the period was as follows

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Asset Management	79	70
Sales and Marketing	33	29
Administration and Finance	116	106
Total average number of employees	228	205

5. Directors' remuneration

The aggregate remuneration of executive Directors during the period was as follows

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Salary	967	500
Annual cash bonus	2,347	2,110
Contributions to deferred bonus plan	2,543	1,407
Total staff costs	5,857	4,018

Notes to the financial statements (continued)

During the 16 month period ended 31 October 2011 £5,595,000 (Year ended 30 June 2010 £3,994,000) was paid to executive Directors in respect of vested deferred awards from prior years

The Company operates a defined contribution pension scheme to which it does not contribute One director participated in the pension scheme during the 16 month period ended 31 October 2011

The Company made payments for medical cover of £2,480 during the 16 month period ended 31 October 2011 (Year ended 30 June 2010 £803) on behalf of one director

The aggregate remuneration of the highest paid director during the period was as follows

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Salary	241	125
Annual cash bonus	587	633
Contributions to deferred bonus plan	880	422
Total staff costs	1,708	1,150

During the 16 month period ended 31 October 2011 £2,006,000 (Year ended 30 June 2010 £1,529,000) was paid to the highest paid director in respect of vested deferred awards from prior years

The highest paid director did not participate in the defined contribution pension scheme operated by the Company No payments for medical cover were made on behalf of the highest paid director

Fees paid to non-executive Directors during the 16 month period ended 31 October 2011 were as follows

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Fees	218	233

6. Finance income

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Finance income		
Interest on cash and cash equivalents	400	252
Interest on corporation tax instalments	-	10
Total finance income	400	262

Notes to the financial statements (continued)

7. Taxation

Analysis of charge in the period

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Current tax		
UK corporation tax on profits for the period / year	15,648	15,962
Adjustments to tax charge in respect of previous periods	(34)	(39)
Total current tax	15,614	15,923
Deferred tax		
Origination and reversal of temporary differences	(5,317)	6
Adjustments in respect of previous periods	36	(1)
IFRS 2 share-based payments credit	-	(1,940)
Adjustment in respect of change in tax rate	1,154	-
Total deferred tax	(4,127)	(1,935)
Total tax expense	11,487	13,988

The effective UK tax rate for the Company for the period ended 31 October 2011 is 27 125% (2010 28%)

A number of changes to the UK Corporation tax system were announced in the March 2011 Budget Statement The Finance Act 2011, which received Royal Assent on 19 July 2011, includes legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 As the 25% rate was substantively enacted by balance sheet date, the deferred tax asset has been restated to 25% to the extent that it is expected to reverse post 1 April 2012 Deferred tax assets reversing prior to 1 April 2012 have been recognised at 26%

Notes to the financial statements (continued)

The tax on the Company's profit before tax differs from amounts that would arise using the effective UK tax rate applicable to profits of the Company, as follows

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Profit on ordinary activities before tax	24,872	49,395
Theoretical tax charge at UK rate of 27 125% (2010 28%)	6,747	13,831
Effects of		
Expenses not deductible for tax purposes	3,556	646
Depreciation in excess of capital allowances	95	208
Capital items in revenue	26	14
Share-based payments	-	(426)
Research and development tax credits	(93)	(65)
Adjustment in respect of previous period	2	(40)
Other	-	(179)
Effect of change in tax rates	1,154	-
Total tax expense	11,487	13,989

8. Dividends

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Equity dividends declared during the period / year		
Interim dividend	14,884	14,593
Final dividend	-	9,280
Total dividends declared	14,884	23,873

During the 16 month period ended 31 October 2011 total dividends paid were £15,340,000 consisting of dividends declared during the 16 month period ended 31 October 2011 of £14,884,000 plus £456,000 in respect of dividends declared but unpaid from the year ended 30 June 2009 During the year ended 30 June 2010 dividends paid were £23,873,000

The Directors do not propose the payment of a final dividend in respect of the period ended 31 October 2011 (2010 7 5 pence)

Notes to the financial statements (continued)

9. Financial risk management

(a) Credit risk management

Credit risk is the possibility that the Company may suffer a loss from the failure of one of our counterparties to meet its contractual obligations The Company is primarily exposed to credit risk in respect of amounts owed by related parties and segregated mandates and from cash deposits with banks

Financial assets subject to credit risk are

	Notes	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Cash and cash equivalents	15	81,694	89,727
Derivative financial instruments	14	-	1,439
Total excluding trade receivables		81,694	91,166
Amounts owed by related parties	13	6,039	18,644
Other trade receivables	13	8,755	11,996
Total trade receivables		14,794	30,640
Total		96,488	121,806

(i) Counterparty credit rating

The counterparty rating of the Company's financial assets subject to counterparty risk and neither past due nor impaired was as follows

31 October 2011	AA- or better %	Not rated %
Cash and cash equivalents	99	1
Derivative financial instruments	-	-
Amounts owed by related parties	1	99
Other trade receivables	-	100

30 June 2010	AA- or better %	Not rated %
Cash and cash equivalents	99	1
Derivative financial instruments	100	-
Amounts owed by related parties	-	100
Other trade receivables	-	100

(ii) Ageing and impairment of financial assets according to the contractual due date

Amounts owed by related parties and other trade receivables relate to management and performance fees owed by funds and segregated mandates managed by the Company The ageing profile of amounts owed by these counterparties at the end of the period is as follows

	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Not older than 30 days	11,822	28,608
Older than 30 days not older than 60 days	421	328
Older than 60 days not older than 90 days	2,354	1,672
Older than 90 days but not older than 120 days	-	-
Older than 120 days but not older than 180 days	-	-
Older than 180 days	196	91
Total	14,793	30,699

Notes to the financial statements (continued)

Amounts not older than 30 days are neither past due nor impaired

Amounts older than 30 days are past due but not impaired This represents 20% of the total fees outstanding (2010 7%) Factors considered in determining whether impairment has taken place include the deterioration in the credit quality of a counterparty and knowledge of specific events that could influence a debtor's ability to repay an amount due No impairments were recorded on items exposed to credit risk in either the current or comparative financial periods

The maximum credit exposure is equivalent to the carrying / fair value of the balances shown

(iii) Concentrations of credit risk

The Company's largest counterparty exposure at the end of each period is as follows

	As at 31 October 2011 £000's	As at 30 June 2010 £000's
AA-[1] rated bank	81,694	88,951

[1] Standard & Poor's ratings

The amount of these exposures can change significantly each month

(b) Market risk management

(i) Investment risk

The Company has investments in funds it manages within current financial assets as described in note 11 Both financial assets designated as fair value through profit and loss and available-for-sale financial assets are stated at market value based off their most recently publish net asset value on the balance sheet The Company is exposed to fluctuations in these net asset values

The Company has calculated its exposure to these fluctuations by recalculating the balance sheet value of its holdings based on the assumptions stated below

In respect of current financial assets designated as fair value through profit and loss at 31 October 2011 a 100 basis point strengthening / (weakening) of the net asset valuation of the funds, with all other variables held constant, would have resulted in a fair value adjustment of +/- £12,000 (2010 +/- £20,000) , with a corresponding impact on the Income Statement

In respect of current financial assets treated as available-for-sale at 31 October 2011 a 100 basis point strengthening / (weakening) of the net asset valuation of the funds, with all other variables held constant, would have resulted in a fair value adjustment of +/- £443,000 (2010 nil) , with a corresponding impact on Comprehensive Income

Notes to the financial statements (continued)

(ii) Foreign exchange risk

The Company's financial assets and liabilities are denominated in the following currencies

As at 31 October 2011:

Financial assets	Notes	Sterling £000's	US Dollar £000's	Euro £000's	Japanese Yen £000's	Other £000's	Total £000's
Cash and cash equivalents	15	79,314	783	318	280	999	81,694
Current financial assets	12	44,687	832	-	-	-	45,519
Trade receivables	13	1,214	8,896	4,594	-	90	14,794
Total financial assets		125,215	10,511	4,912	280	1,089	142,007

Financial liabilities	Notes	Sterling £000's	US Dollar £000's	Euro £000's	Japanese Yen £000's	Other £000's	Total £000's
Trade and other payables due within one year	16	34,737	3,036	3,625	99	489	41,986
Total financial liabilities		34,737	3,036	3,625	99	489	41,986

As at 30 June 2010:

Financial assets	Notes	Sterling £000's	US Dollar £000's	Euro £000's	Japanese Yen £000's	Other £000's	Total £000's
Cash and cash equivalents	15	79,955	2,599	7,133	2	38	89,727
Current financial assets	12	323	1,730	-	-	-	2,053
Trade receivables	13	4,287	10,628	15,725	-	-	30,640
Derivative financial instruments	14	-	761	678	-	-	1,439
Total financial assets		84,565	15,718	23,536	2	38	123,859

Financial liabilities	Notes	Sterling £000's	US Dollar £000's	Euro £000's	Japanese Yen £000's	Other £000's	Total £000's
Trade and other payables due within one year	16	2,109	6,153	12,549	-	673	21,484
Total financial liabilities		2,109	6,153	12,549	-	673	21,484

Financial liabilities comprise current trade payables and accruals They do not include provisions which are explicitly excluded from the definition of a financial instrument under IFRS 7

The Company estimates, by recalculating the balance sheet values of financial assets and liabilities denominated in foreign currencies, that at 31 October 2011, if the foreign currency rates applicable to the Company's financial assets and liabilities strengthened / (weakened) by 100 basis point against sterling, with all other variables held constant, pre-tax profit for the year would have (decreased)/ increased by £95,000/£96,000 respectively, principally as

Notes to the financial statements (continued)

a result of the (decrease)/increase in assets and liabilities denominated in foreign currencies (2010 pre tax profit will have (decreased)/ increased by £261,000/£366,000 respectively)

The Company's revenue is principally received in US dollars and Euros From time to time, the Company may put in place short-term forward foreign exchange contracts to hedge these future receivables At 31 October 2011 the Company had no exposure to foreign exchange forward contracts As at 30 June 2010 the Company's exposure to a 100 basis point strengthening / (weakening) of the US Dollar and Euro against pound sterling, with all other variables held constant, would have resulted in an additional foreign exchange loss/ (gain) of +/- £499,000), with a corresponding impact on the Income Statement, based on recalculating the Balance Sheet values of foreign exchange forwards contracts held at that time

(iii) Interest rate risk

Interest rate risk is the risk arising from unexpected or untoward movements in interest rates The Company's monetary assets earn interest at 20 basis points below the base rate The principal interest rate risk is the risk that the Company will sustain a reduction in interest revenue through adverse movements in interest rates This relates to bank deposits held in the ordinary course of business

At 31 October 2011, if interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the period would have been £1,162,000 higher (2010 £802,000 higher), mainly as a result of higher interest on average cash balances The interest rate received on the Company's bank deposits would only need to fall by 33 basis points to eliminate any interest income received during the current financial year, resulting in lower post-tax profit of £400,000(2010 £262,000 lower) These figures are calculated by adjusting actual interest received during the period to reflect the assumed interest rate above

As the Company does not have any debt financing, it is therefore not significantly exposed to the risk of the extra cost associated with higher interest rates on debt borrowing

(c) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due The Company's approach is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed circumstances

(i) Financial assets and liabilities

The table below analyses the Company's financial assets and liabilities The amounts disclosed are the contractual undiscounted cash flows and are all due within one year

Financial assets	Notes	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Cash and cash equivalents	15	81,694	89,727
Current financial assets	12	45,519	2,053
Trade receivables	13	14,794	30,640
Derivative financial instruments	14	-	1,439
Total financial assets		142,007	123,859

Financial liabilities	Notes	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Trade and other payables	16	41,986	41,754

Notes to the financial statements (continued)

The Company's total financial assets exceed its total financial liabilities in the ratio of 3 4 1 (2010 3 0 1)

(ii) Commitments

a) Operating leases

The Company leases office premises and computer software under non-cancellable operating lease agreements The leases have varying terms and renewal rights The future aggregate minimum lease payments under non-cancellable operating leases disclosed as contractual undiscounted cash flows are as follows

	As at 31 October 2011 Leasehold property £000's	As at 30 June 2010 Leasehold property £000's
Commitments under non-cancellable operating leases expiring		
Within one year	4,105	4,110
Later than one year and less than five years	16,421	16,441
After five years	22,750	28,259
Total	43,276	48,810

During the period, the Company sub-let an area within its London offices to Marcuard Services (UK) Limited at a rental rate of £100,000 per annum, terminable by either party at six months' notice This was terminated on 22 June 2011

	As at 31 October 2011 Computer software £000's	As at 30 June 2010 Computer software £000's
Commitments under non-cancellable operating leases expiring		
Within one year	1,131	865
Later than one year and less than five years	-	635
Total	1,131	1,500

b) Capital commitments and contingent liabilities

The Company did not have any capital commitments or contingent liabilities as at the end of either accounting period

Notes to the financial statements (continued)

(d) Classes of financial instruments

As at 31 October 2011:

	Notes	Financial assets at amortised cost £000's	Financial assets Available for Sale £000's	Financial assets at fair value through profit or loss £000's	**Total £000's**
Financial assets					
Cash and cash equivalents	15	81,694	-	-	81,694
Current financial assets	12	-	44,344	1,175	45,519
Trade and other receivables	13	14,794	-	-	14,794
Total financial assets		96,488	44,344	1,175	142,007

	Notes	Financial liabilities at amortised cost £000's	**Total £000's**
Financial liabilities			
Trade and other payables due within one year	17	23,286	23,286

As at 30 June 2010:

	Notes	Financial assets at amortised cost £000's	Financial assets Available-for-Sale £000's	Financial assets at fair value through profit or loss £000's	**Total £000's**
Financial assets					
Cash and cash equivalents	15	89,727	-	-	89,727
Current financial assets	12	-	-	2,053	2,053
Trade receivables	13	30,640	-	-	30,640
Derivative financial instruments	14	-	-	1,439	1,439
Total financial assets		120,367	-	3,492	123,859

	Financial liabilities at amortised cost £000's	**Total £000's**
Financial liabilities		
Trade and other payables due within one year	16,727	16,727

Financial liabilities comprise trade payables and accruals which are payable within one year and which are not explicitly excluded from the definition of a financial instrument under IFRS 7

Notes to the financial statements (continued)

(e) Capital management

The Company uses its capital to support the growth of the business, to provide it with a cushion to shield it from adverse market conditions and to ensure that it is at all times able to meet its regulatory capital requirements In accordance with the requirements of the Internal Capital Adequacy Assessment Process ("ICAAP"), the potential adverse effects of specific individual and combinations of operational risks have been assessed In addition, using multi-year financial models, a number of potential adverse scenarios have been analysed in order to determine their effect on the Company's capital

The Company has been in compliance with and maintained a comfortable excess over, the minimum regulatory capital requirements set by the Financial Services Authority at all times during the year

Once these requirements have been met, available capital may be used to pay dividends to shareholders, to provide funding for the Company's deferred compensation programmes, to provide funding for new business initiatives and to provide seed capital for new funds

Notes to the financial statements (continued)

10. Property, plant and equipment

	Leasehold improvements	Furniture fixtures and fittings	Information and communication technology equipment	Total
	£000's	£000's	£000's	£000's
Cost				
At 1 July 2009	5,666	696	1,244	7,606
Additions	13	4	430	447
At 30 June 2010	5,679	700	1,674	8,053
Additions	201	74	528	803
At 31 October 2011	5,880	774	2,202	8,856
Accumulated depreciation				
At 1 July 2009	1,903	388	775	3,066
Depreciation charge	1,136	229	391	1,756
At 1 July 2010	3,039	617	1,166	4,822
Depreciation charge	1,534	95	460	2,089
At 31 October 2011	4,573	712	1,626	6,911
Net book amount as at 31 October 2011	1,307	62	576	1,945
Net book amount as at 30 June 2010	2,640	83	508	3,231

At 31 October 2011 and 30 June 2010, none of the above assets were held under finance leases

Notes to the financial statements (continued)

11. Intangible assets

	Licences
	£000's
Cost	
At 1 July 2009	2,264
Additions	52
At 30 June 2010	2,316
Additions	198
At 31 October 2011	2,514
Amortisation	
At 1 July 2009	1,164
Amortisation in the year	458
At 30 June	1,622
Amortisation in the period	530
At 31 October 2011	2,152
Net book amount as at 31 October 2011	362
Net book amount as at 30 June 2010	694

Notes to the financial statements (continued)

12. Financial assets

	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Non current financial assets		
Cost less impairment:		
At 1 July 2010 and 2009	444	80
Additions	5,419	427
Disposals	-	(80)
Capital contributions made to subsidiaries	106	17
At 31 October 2011 / 30 June 2010	5,969	444

Non-current financial assets relate to investments held in subsidiaries and are held at cost less impairment Additions relate to capital injection of £5,419,000 (2010 £427,000) in BlueBay Asset Management International Limited, a wholly-owned subsidiary of the Company

Capital Contribution made to subsidiaries is an accounting adjustment to recognise share based awards in the Company to employees of its subsidiaries The capital contribution recognised builds up over the vesting periods, with a corresponding entry made to retained earnings The capital contribution corresponds to the share based awards recognised by the subsidiaries and is held at cost, less impairment

	Notes	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Current financial assets			
Fair value through profit or loss:			
At 1 July 2010 and 2009		2,053	122
Additions		449	2,468
Fair value adjustment	3	(707)	134
Disposals		(620)	(671)
At 31 October 2011 / 30 June 2010		1,175	2,053
Available for sale:			
At 1 July 2010		-	-
Additions		46,200	-
Fair value adjustment (through OCI)		(1,856)	-
At 31 October 2011		44,344	-
Total		45,519	2,053

The classification and measurement of current financial assets is discussed in significant accounting policies (i)

Notes to the financial statements (continued)

Financial assets are classified in accordance with the following three-level hierarchy for fair value measurement disclosure, as follows

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i e as prices) or indirectly (i e derived from prices), and
- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The measurement of financial assets can be analysed as follows

31 October 2011	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total
Fair value through profit and loss	-	343	832	1,175
Available-for-sale	-	44,344	-	44,344

30 June 2010	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total
Fair value through profit and loss	-	323	1,730	2,053
Available-for-sale	-	-	-	-

Both level 2 and level 3 financial assets consist of holdings of units in fund managed by the Company and are fair valued based on the fund units' published net asset value Where the Company has the ability to redeem its investment at the published net asset value the financial asset is classified as Level 2 Where the Company is unable to redeem its investment at the published net asset value due to restrictions on redemptions placed on the fund the financial asset is classified as Level 3

Movement in Level 3 non current financial assets, during the year can be analysed as follows

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Level 3 non current financial assets		
At 1 July 2010 and 2009	1,730	122
Gains/(losses) included in profit for the year	(686)	131
Additions	449	2,148
Disposals	(661)	(671)
At 31 October 2011 and 30 June 2010	832	1,730

Notes to the financial statements (continued)

13. Trade and other receivables

	Notes	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Trade receivables			
Amounts owed by related parties	22	6,039	18,644
Other trade receivables		8,755	11,996
Other receivables		281	401
Other related party receivables	22	321	12
Amounts owed by subsidiaries	22	1,872	-
VAT receivable		80	-
Prepayments		3,018	3,212
Prepayments – deferred compensation scheme		8,717	3,603
Total amounts falling due within one year		29,083	37,868
Prepayments – deferred compensation scheme		8,871	5,859
Total amounts falling due after more than one year		8,871	5,859

14. Derivative financial instruments

	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Assets:		
Forward foreign exchange contracts	-	1,439

Sensitivity analysis on the Company's forward foreign exchange contracts can be found in note 9(b(ii))

The fair value measurement of the Company's derivative financial instruments was classified as Level 2 as at the previous financial period end

15. Cash and cash equivalents

	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Cash at bank and in hand	81,694	9,817
Short-term bank deposits	-	79,910
Total cash and cash equivalents	81,694	89,727

Notes to the financial statements (continued)

16. Trade and other payables

	Notes	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Trade payables		821	560
Amounts owed to subsidiaries	22	6,302	3,335
Other tax and social security payable		8,878	1,280
Rebates and commissions payable		659	16,635
Related party payables	22	-	288
Other payables		2,861	3,489
Accruals		22,465	16,167
Total trade and other payables due within one year		41,986	41,754
Accruals		2,059	1,363
Total amounts due after more than one year		2,059	1,363

17. Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using an effective tax rate of 26% for amounts which are expected to reverse before 1 April 2012, and 25% for amounts which are expected to reverse after that date (2010 28%)

Deferred tax assets have been recognised where the tax deduction in the current period has exceeded the current forecast taxable profits The recognition of the deferred tax asset is based on the probability that the Company will derive taxable profits in the future

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction) during the period are shown below

(a) Deferred tax assets

The movement on the deferred tax asset account is as follows

	Temporary differences £000's
At 1 July 2010	9,253
Income Statement credit	4,896
Deferred tax asset utilised in current year originally taken against equity	(259)
Reversal of deferred tax on share-based payments taken to equity	(1,668)
Adjustments for changes in tax rates	(1,154)
At 31 October 2011	11,068

Notes to the financial statements (continued)

	Temporary differences £000's
At 1 July 2009	7,669
Income Statement credit	2,091
Deferred tax asset utilised in current year	(4,418)
Deferred tax on share-based payments taken to equity	3,911
At 30 June 2010	9,253

The deferred tax income tax charged against equity during the year is as follows

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Share option scheme	(26)	2,341
Share award scheme	(1,642)	1,570
Total	(1,668)	3,911

An analysis of the deferred tax asset is as follows

	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Accelerated depreciation for tax purposes	400	351
Share-based payments	-	6,355
Deferred compensation scheme	10,668	2,547
Total deferred tax asset	11,068	9,253

(b) Deferred tax liability

The movement on the deferred tax liability account is as follows

	Temporary differences £000's
At 1 July 2010	385
Income Statement charge	(385)
At 31 October 2011	-

	Temporary differences £000's
At 1 July 2009	228
Income Statement charge	157
At 30 June 2010	385

Notes to the financial statements (continued)

An analysis of the deferred tax liability is as follows

	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Derivative financial instruments	-	385

18. Share-based payments

Prior to its acquisition by RBC, the Company operated various equity settled, share-based compensation schemes Following the acquisition of the Company by RBC on 17 December 2010 these schemes are no longer in operation

All unvested shares were purchased by RBC and the proceeds were used to make new awards by one of the Company's Employee Benefit Trusts into units in funds managed by the Company under the deferred compensation scheme described in note 4(ii) The vesting period of the new awards is the same as the share-based awards they replaced The modified share based awards vest unconditionally over a period of three to five years after the initial grant date (with either 25% shares vesting on each anniversary of the date of award, commencing two years after the grant date or 100% vesting on the third anniversary after the grant date)

The grant of the new awards has been treated as a modification of the original share-based award Under the share based awards, the expenses for the award are based on the fair value of the share-based payment on grant date, spread over the remaining vesting period

As a result of the modification of the share based awards the fair value of the award has been adjusted by the difference between the price at which RBC acquired unvested shares held in the Company's Employee Benefit Trusts and the fair value of the share based payment on grant date The resulting increase in the expense of these awards is spread over the period from 17 December 2010 to the vesting date of the award During the period £38,947,000 (2010 £11,319,000) was charged to the Company Income Statement in respect of modified equity settled share based transactions The amount recognised in the Income Statement is adjusted to reflect actual forfeitures by bad leavers

19. Called up share capital

	Number of shares	Ordinary shares £000's	Share premium £000's
At 1 July 2010	198,610,000	199	33,691
Options exercised	25,000	-	7
Shares issued	1	-	-
Return of funds from EBT	-	-	208
At 31 October 2011	198,635,001	199	33,906

	Number of shares	Ordinary shares £000's	Share premium £000's
At 1 July 2009	193,768,462	194	32,484
Options exercised	4,841,538	5	1,207
At 30 June 2010	198,610,000	199	33,691

Notes to the financial statements (continued)

	31 October 2011 Number	30 June 2010 Number	31 October 2011 £000's	30 June 2010 £000's
Allotted, called up and fully paid				
Ordinary shares of £0 001 each	198,635,001	198,610,000	199	199

Ordinary shares in issue in the Company rank pari passu All of the ordinary shares in issue carry the same right to receive dividends and other distributions declared, made or paid by the Company All of the ordinary shares have equal voting rights

20. Own Shares

At 30 June 2010 562,432 own shares were held by the Employee Benefit Trusts and share incentive plans for the purposes of satisfying certain equity based awards On 17 December 2010, all own shares held by Employee Benefit Trusts and share incentive plans were acquired by RBC The proceeds of the acquisition were used by employee trusts to make new awards to employees in units in funds managed by the Company

21. Cash generated from operations

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Continuing operations		
Operating profit for the period	24,472	49,134
Adjustments for		
Financial assets at fair value	707	(134)
Derivatives at fair value	(1,775)	(1,136)
Share-based payments	38,948	11,319
Finance income	400	262
Depreciation	2,089	1,756
Amortisation of intangibles	530	458
	40,899	12,525
Changes in working capital		
(Increase)/Decrease in receivables	5,773	(7,870)
Increase in payables	928	15,718
Cash generated from operations	72,072	69,505

Notes to the financial statements (continued)

22. Related party transactions

The following transactions were carried out with related parties

(a) Transactions and balances with related entities during the year

During the year the following categories of related party transactions occurred

Description of relationship	Description of service	Description of transactions
Funds managed by the Company and related through key management personnel (including common Directors) Key management personnel are able to significantly influence (but not control) the financial and operating policy decisions of such Funds	Provision of investment management and investment services	Management and performance fees earned for 16 months ended 31 October 2011 Expense cap reimbursements (reimbursement by the Company to funds for the excess of its administrative expenses over a pre-determined maximum level) for 16 months ended 31 October 2011
Transactions with Marcuard Services (UK) Limited, a subsidiary of Marcuard Holding Limited ("Marcuard") Marcuard is chaired and majority owned by the Company's Chairman for 16 months ended 31 October 2011	Sub-let of premises at the Company's London office at a rental rate of £100,000 per annum for a five year term, terminable by either party at six months' notice This was terminated on 22 June 2011	Sub-lease rental income earned, which is netted off against rental charges within administrative expenses in the Income Statement Recharge of expenses including business rates and utilities
Subsidiary undertaking for 16 months ended 31 October 2011	Provision of financial support	Transfer pricing agreed fees, cash transfers from the Company to its subsidiaries, capital injection to directly owned subsidiary and dividend income
Advisory fees from RBC	Payment of advisory fees from RBC for provision of investment management and investment services	Management fees earned

Notes to the financial statements (continued)

Sales of services during the financial period

	16 months ended 31 October 2011 £000's	Year ended 30 June 2010 £000's
Investment management and performance fees net of rebates and expense caps	184,761	146,256
Sub-lease rental income and recharges	116	37
Advisory fees from RBC	44	-

Period end balances arising during the financial year

	As at 31 October 2011 £000's	As at 30 June 2010 £000's
Trade receivables - Funds managed by the Company	6,008	18,703
Other receivables – Recharge of expenses to Marcuard	321	12
Other payables – Expense caps payable to Funds	(514)	(288)

All transactions with related parties were on an arm's length basis

(b) Key management compensation

Total compensation paid to key management personnel is disclosed in note 5 to the financial statements

23. Principal Company investments

The names of the principal investments of the Company, together with the Company's controlling interest and voting rights are given below BlueBay Asset Management International Limited is a directly owned subsidiary of the Company The other subsidiaries are subsidiaries of BlueBay Asset Management International Limited

	Country of incorporation	Effective Company interest %
Principal operating subsidiaries		
BlueBay Funds Management Company S A	Luxembourg	100
BlueBay Asset Management International Limited	United Kingdom	100
BlueBay Asset Management USA LLC	United States of America	100
BlueBay Hong Kong Limited	Hong Kong	100

Two of the Company's Jersey domiciled Employee Benefit Trusts, BlueBay Asset Management Ltd Employee Benefit Trust and BlueBay Asset Management Ltd (No 2) Employee Benefit Trust, are also considered to be subsidiaries under IFRS

Notes to the financial statements (continued)

24. Parent company

The Company's parent company is Royal Bank of Canada, incorporated in Canada, which is also the parent undertaking of the smallest and largest group which includes the company for which group accounts are prepared Copies of the group financial statements of Royal Bank of Canada are available at 71 Queen Street, London EC4V 4DE Group accounts are filed at Companies House