

BlueBay Asset Management (Services) Ltd

Annual report and financial statements

For the year to 31 October 2012

Registered number: 03262598



BlueBay Asset Management (Services) Ltd Annual Report 2012
(formerly BlueBay Asset Management Ltd)

Contents

	Page
Directors' report	3
Statement of Directors' responsibilities	6
Independent auditor's report	7
Income statement	9
Statement of other comprehensive income	10
Balance sheet	11
Statement of changes in shareholders' equity	13
Cash flow statement	14
Significant accounting policies	15
Notes to the financial statements	23

Directors' Report

The Directors submit their report together with the audited Financial Statements for the year ended 31 October 2012 as required by the Companies Act 2006

Principal activity

The principal activity of BlueBay Asset Management (Services) Ltd ("the Company") is to be a member of BlueBay Asset Management LLP ("BBAM LLP"), a Limited Liability Partnership incorporated in the United Kingdom. BBAM LLP provides investment management and advisory services to institutions and high net worth individuals. The Company also holds the lease on offices in London and all rights to the BlueBay trading name including all trademark registrations. The Company licences its leasehold premises and the use of the BlueBay trading name to BBAM LLP.

Called up share capital

As at 31 October 2012, the called up capital of the Company consisted of 198,635,001 shares of £0.001 each.

The Company is a wholly-owned subsidiary of Royal Bank of Canada ('RBC').

Business Review

From the 1 November 2011 to 2 April 2012, the Company provided investment management and advisory services to institutions and high net worth individuals. During the period, the Company was authorised and regulated by the Financial Services Authority ("FSA"). On 23 November 2011, the Company became a member of BBAM LLP. On 2 April 2012, the Company contributed its investment management and advisory business (the "Business") to BBAM LLP in exchange for £42,000,000 of capital in BBAM LLP.

The Company transferred all assets associated with the Business to BBAM LLP on 2 April 2012. These Assets included all contracts related to the Business to which the Company was a party, all computer equipment and software used in the business, all office equipment used in the Business, debtors and receivables of the Business and an agreed amount of cash to provide working capital. Additionally, the majority of employees of the Business transferred to BBAM LLP and BBAM LLP assumed the liability for accrued employee bonuses for the compensation year ended 31 December 2012. All assets and liabilities were transferred at Net Book Value (see note (z)). The Net Book Value of assets and liabilities transferred was £439,293 and the value of cash transferred was £41,560,707, of which £40,000,000 was transferred in March 2012.

The results of the Business for the period from 1 November 2011 to 2 April 2012 are shown as discontinued operations in note 22.

The Company retained the lease on the Company's London offices, all rights to the BlueBay trading name including all trade mark registrations, all financial assets (see note 12) and all liabilities related to awards of deferred remuneration to employees now transferred to BBAM LLP (see note 4).

The Company is entitled to receive a profit allocation from BBAM LLP calculated in accordance with BBAM LLP's Limited Liability Partnership Agreement.

Following the transfer of its investment management and advisory services business, the Company ceased to be authorised and regulated by the FSA on 18 April 2012.

Financial Risks

The Company's income is based on profit allocations from BBAM LLP. BBAM LLP'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 managed by BBAM LLP. 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 BBAM LLP's management of these assets. BBAM LLP has various controls and systems in place to mitigate the risks related to its management of the assets.

Directors' Report (continued)

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 and maintains cash levels in excess of group regulatory capital requirements.

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

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 year ended 31 October 2012 are set out on pages 9 to 46. The retained profit for the year ended 31 October 2012 after taxation was £24,869,000 (Period ended 31 October 2011: £13,385,000).

During the year ended 31 October 2012, the Company did not pay any dividends (Period ended 31 October 2011: £14,884,000).

Political and charitable donations

Charitable donations of £97,000 were made by the Company during the year ended 31 October 2012 (Period ended 31 October 2011: £5,000).

No political donations or contributions were made or expenditure incurred by the Company during the year ended 31 October 2012 (Period ended 31 October 2011: nil).

Directors

The Directors who served during the year and up to the date of signing the financial statements, except as noted, were as follows.

Hugh Willis (Executive Director) – resigned 13 June 2012

Mark Poole (Executive Director) – resigned 13 June 2012

Nick Williams (Executive Director) – Served throughout the period

Alex Khein (Executive Director) – Served throughout the period

Alan Gibbins (Independent Non Executive Director) – resigned 13 June 2012

John Roberts (Independent Non Executive Director – Chairman) – Served throughout the period

John Montalbano (Non Executive Director) – Served throughout the period

Dan Chornous (Non Executive Director) – resigned 13 June 2012

Frank Lippa (Non Executive Director) – resigned 13 June 2012

Katherine Gibson (Non Executive Director) – Served throughout the period

Graeme Hepworth (Non Executive Director) – resigned 13 June 2012

None of the Directors held any share capital of the Company at 31 October 2012 (Period ended 31 October 2011: nil).

Auditor

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 auditor is unaware; and

BlueBay Asset Management (Services) Ltd Annual Report 2012
(formerly BlueBay Asset Management Ltd)

- 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 auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of 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 (Services) Ltd on 25th June 2013.

Director
Date:



Nick Williams
25th June 2013

Statement of Directors' responsibilities

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 (Services) Ltd

We have audited the financial statements of BlueBay Asset Management (Services) Ltd for the year ended 31 October 2012 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, the Significant Accounting Policies and the related notes 1 to 23. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2012 and of its profit for the year 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
25th June 2013

BlueBay Asset Management (Services) Ltd Annual Report 2012
(formerly BlueBay Asset Management Ltd)

Income Statement

	Notes	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s (Restated)
Continuing operations			
Other income	3	36,293	1,366
Other expenses	3	(364)	(707)
Administrative expenses	2	(36,691)	(83,917)
Operating loss		(762)	(83,258)
Finance income	6	243	400
Loss on ordinary activities before taxation		(519)	(82,858)
Taxation	7	(382)	17,860
Loss for the year/period from continuing operations attributable to ordinary equity shareholders		(901)	(64,998)
Discontinued Operations			
Profit for the year/period from discontinued operations attributable to ordinary equity shareholders	22	25,770	78,383
Profit for the year/period		24,869	13,385

The significant accounting policies and notes on pages 15 to 46 are an integral part of these Financial Statements

Statement of Other Comprehensive Income

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Profit for the year/period	24,869	13,385
Other comprehensive income Items that may be reclassified subsequently to profit or loss		
Unrealised gains on Available-for-Sale Investments	7,139	(1,856)
Realised losses on Available-for-Sale Investments	(1,436)	-
Current tax on Available-for-Sale Investments	(1,380)	503
Total comprehensive income for the year/period: net of tax, attributable to owners of the parent	29,192	12,032

BlueBay Asset Management (Services) Ltd Annual Report 2012
(formerly BlueBay Asset Management Ltd)

Balance Sheet

	Notes	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Assets			
Non-current assets			
Property, plant and equipment	10	200	1,945
Intangible assets	11	-	362
Deferred tax asset	16	13,186	11,068
Trade and other receivables	13	1,934	8,871
Investment in subsidiaries	12	48,778	5,969
Total non-current assets		64,098	28,215
Current assets			
Trade and other receivables	13	42,052	29,083
Financial assets	12	64,333	45,519
Cash and cash equivalents	14	43,888	81,694
Total current assets		150,273	156,296
Total assets		214,371	184,511
Liabilities			
Non-current liabilities			
Trade and other payables	15	10,007	2,059
Total non-current liabilities		10,007	2,059
Current liabilities			
Trade and other payables	15	13,029	41,986
Current tax liabilities		10,490	1,655
Total current liabilities		23,519	43,641
Total liabilities		33,526	45,700

BlueBay Asset Management (Services) Ltd Annual Report 2012
(formerly BlueBay Asset Management Ltd)

Balance Sheet (continued)

		As at 31 October 2012 £000s	As at 31 October 2011 £000s
	Note		
Shareholders' equity			
Called up share capital	18	199	199
Share premium	18	33,906	33,906
Retained earnings		143,769	106,058
Other components of equity		2,971	(1,352)
Total shareholders' equity		180,845	138,811
Total equity and liabilities		214,371	184,511

The significant accounting policies and notes on pages 15 to 46 are an integral part of these Financial Statements.

BlueBay Asset Management (Services) Ltd Registered Company Number: 03262598

The Financial Statements on pages 9 to 46 were approved by the Board of Directors and authorised for issue on 25th June 2013 and signed on its behalf by

Director:


Nick Williams

Statement of Changes in Shareholders' Equity

	Called up share capital	Share premium	Retained earnings	Other components of equity		Total
	£000s	£000s	£000s	Available for sale securities £000s	Deferred tax £000s	£000s
Balance at 1 November 2011	199	33,906	106,058	(1,352)	-	138,811
Profit for the year	-	-	24,869	-	-	24,869
Unrealised gains on Available- for-Sale Investments	-	-	-	7,139	-	7,139
Realised gains on Available-for- Sale Investments	-	-	-	(1,436)	-	(1,436)
Current tax on available for sale investments	-	-	-	(1,380)	-	(1,380)
Share-based payments	-	-	11,286	-	-	11,286
Capital contribution to subsidiaries	-	-	103	-	-	103
Shares forfeited by former employees	-	-	1,453	-	-	1,453
Balance at 31 October 2012	199	33,906	143,769	2,971	-	180,845

	Notes	Called up share capital	Share premium	Retained earnings	Other components of equity		Total
		£000s	£000s	£000s	Available for sale securities £000s	Deferred tax £000s	£000s
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	18	-	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	16	-	-	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	18	-	208	692	-	-	900
Balance at 31 October 2011		199	33,906	106,058	(1,352)	-	138,811

The significant accounting policies and notes on pages 15 to 46 are an integral part of these Financial Statements.

Cash Flow Statement

For the year ended 31 October 2012

		Year ended 31 October 2012	16 months ended 31 October 2011
	Notes	£000's	£000's
Cash flows from operating activities			
Cash generated from operations	19	16,724	71,672
Taxation paid		(3,600)	(16,331)
Net cash generated from operating activities		13,124	55,341
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(223)	(802)
Disposal of property, plant and equipment	10	16	-
Purchase of intangible asset	11	-	(198)
Purchase of non-current investments		(705)	(5,419)
Purchase of current investments	12	(35,619)	(46,649)
Sale of current investments	12	23,642	619
Realised gains on derivative financial instruments		-	3,214
Capital contribution made to subsidiaries		(41,561)	-
Net cash used in investing activities		(54,450)	(49,235)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	7
Purchase of own shares		-	(106)
Return of funds from Employee Benefit Trust		3,277	900
Interest income		243	400
Dividends paid		-	(15,340)
Net cash generated from financing activities		3,520	(14,139)
Net decrease in cash		(37,806)	(8,033)
Cash at beginning of the year		81,694	89,727
Cash at end of the year		43,888	81,694

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 46 are an integral part of these Financial Statements

Significant Accounting Policies

Basis of accounting

BlueBay Asset Management (Services) 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.

The results of investment management activities are reflected in the Financial Statements as performance fees and management fees. The Profit Allocation from BBAM LLP is included in Other Income.

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

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 or available for sale. 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 has 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

There have been no new accounting standards that became effective during the year ended 31 October 2012 which would have had any significant impact on these financial statements.

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

The following accounting standard has been issued by the IASB but is not effective for the year ended 31 October 2012 and has not been applied in preparing these financial statements:

IFRS 13 Fair Value Measurement (IFRS 13)

In May 2011, the IASB issued IFRS 13, which defines fair value and sets out a framework for measuring fair value in a single IFRS. IFRS 13 also requires disclosures about fair value measurements for non-financial assets. The measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value with limited exceptions. IFRS 13 came effective for the Company on 1 November 2013.

IFRS 7 Financial Instruments: Disclosures (IFRS 7)

In December 2011, the IASB issued amendments to IFRS 7 regarding disclosure of offsetting financial assets and financial liabilities. The amendments are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The amendments came effective for the Company on 1 November 2013.

Significant Accounting Policies (continued)

IAS 32 Financial Instruments: Presentation (IAS 32)

In December 2011, the IASB issued amendments to IAS 32 which clarify the existing requirements for offsetting financial assets and financial liabilities. The amendments will be effective for the Company on 1 November 2014.

IFRS 9 Financial Instruments (IFRS 9)

In November 2009, the IASB issued IFRS 9 as part of its plan to replace IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 requires financial assets, including hybrid contracts, to be measured at either fair value or amortized cost, on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. A financial asset that is held by an entity for the purpose of collecting contractual cash flows on specified dates per contractual terms should be measured at amortized cost. All other financial assets should be measured at fair value. When the entity changes its business model, which is expected to be an infrequent occurrence, it is required to reclassify the affected financial assets prospectively. For equity instruments, management has an option on initial recognition to irrevocably designate on an instrument-by-instrument basis to present the changes in their fair value directly in equity. There is no subsequent recycling of fair value gains and losses from equity to our Consolidated Statements of Income, however, dividends from such equity investments will continue to be recognized in profit or loss.

In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities previously included in IAS 39. IFRS 9 also eliminated the exception from fair value measurement for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument, and require the changes in own credit risk for financial liabilities designated as at FVTPL to be reported in other comprehensive income. In December 2011, the IASB amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015. Accordingly, IFRS 9 will be effective for the Company on 1 November 2015.

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.

Deferred compensation

Deferred compensation may be invested in a reference index linked to an estimate of growth of RBC, GAM and the BlueBay group. Please see note 4 for further details.

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.

Significant Accounting Policies (continued)

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.

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 unit funds in Investment Funds managed by BBAM LLP. These assets include both fund units acquired on behalf of employees and of the Company and its subsidiaries under the 'Deferred Bonus Plan' (see note 4) and investments in new funds to enable the funds to establish a track record for marketing purposes.

(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

Significant Accounting Policies (continued)

FVTPL 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 financial 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 the Company's 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 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 the difference between the assets' carrying amounts and the present value of their estimated future cash flows, discounted at the effective interest rate. The initial

Significant Accounting Policies (continued)

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 Investment Management services for the period from the beginning of the financial year to the date the Company's business was transferred to BBAM LLP, 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 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) Profit allocations

The Company is entitled to receive a profit allocation from BBAM LLP calculated in accordance with BBAM LLP's Limited Liability Partnership Agreement. Profit allocations are calculated and recognised monthly by the Company.

Significant Accounting Policies (continued)

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

Prior to the transfer of the Investment Management business to BBAM LLP, the Company operated a defined contribution scheme. Employees were able to contribute directly to this scheme. The Company made no contributions to the scheme and there is therefore no cost in the Financial Statements.

(ii) Deferred compensation scheme

Prior to the transfer of the Investment Management business to BBAM LLP, the Company also operated 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. Following the transfer of the Business to BBAM LLP as disclosed in the Director's Report, the Company retained the liability for these awards.

For awards made prior to March 2012, 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.

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 12). 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.

For awards subsequent to March 2012, fund units are included in the Company financial statements within Available for Sale current financial assets (see note 1(i) and note 12). The deferred bonus liability is accrued over the vesting period of the award within trade and other payables.

Significant Accounting Policies (continued)

t) Foreign currency translation

- (i) **Functional and presentation currency**
The Financial Statements are presented in Pounds 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

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.

Significant Accounting Policies (continued)

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 prevailing 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.

z) Transfer of the investment management and advisory business and related assets and liabilities to BBAM LLP

As the transfer of the investment management and advisory business is a transaction between entities under common control, RBC being the ultimate controlling party, the transaction is outside the scope of IFRS 3 Business Combinations and the acquisition method of accounting is not required. The Company retains the right to receive a profit allocation from BBAM LLP which is equivalent to the profits it would have earned if it had not transferred the business. Additionally under BBAM LLP's Partnership Agreement the Company retains the economic interest in the assets and liabilities transferred. As there is no change in the Company's or RBC's economic interest in the profits or the assets of the business following the transfer the Company has determined it is appropriate to record the transfer of assets and liabilities at Net Book Value with no gain or loss being recognised.

Notes to the financial statements

1. Revenue

Revenue is attributable to the provision of investment management and advisory services by the Company to institutions and high net worth individuals. On 2 April 2012 the Company's Investment Management business was transferred to BlueBay Asset Management LLP

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:

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Europe		
Luxembourg	40,691	172,215
United Kingdom	909	3,035
Other Europe	5,341	24,224
The Americas		
Cayman Islands	11,797	27,038
United States of America	406	1,661
Rest of the World	377	2,965
	<u>59,521</u>	<u>231,138</u>

2. Administrative expenses

	Notes	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s (Restated)
Continuing operations			
The following items have been included in administrative expenses			
Staff costs	4	27,326	60,265
Depreciation	10	1,129	1,534
Other operating lease rentals paid			
Property		<u>3,851</u>	<u>5,135</u>

Please see note 22 for administrative costs associated with discontinuing operations.

Notes to the financial statements (continued)

Audit and non-audit fees

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Fees payable to the Company's auditor for the audit of the Financial Statements	165	175
Fees payable to the Company's auditor for other services		
Other services pursuant to legislation	-	11
Total auditor's remuneration	<u>165</u>	<u>186</u>

3. Other income and expenses

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s (Restated)
Continuing operations:		
Other income includes the following items		
Realised gains on Available-for-Sale Investments	1,436	-
Shares forfeited by former employees	1,824	-
Gains on derivative financial instruments	-	-
Net foreign exchange differences recognised	-	1,366
Profit allocation from BBAM LLP	33,033	-
Total other income	<u>36,293</u>	<u>1,366</u>
Other expenses include the following items		
Net foreign exchange differences recognised	(41)	-
Losses on financial assets designated as at fair value through profit and loss	(323)	(707)
Total other expenses	<u>(364)</u>	<u>(707)</u>

Amounts relating to discontinued operations are included in note 22. 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

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s (Restated)
Continuing operations		
Social security costs	2,787	8,392
Deferred Bonus Compensation	24,539	51,873
Total staff costs	<u>27,326</u>	<u>60,265</u>

Please see note 22 for staff costs associated with discontinued operations. Included within social security costs is £896,000 in relation to employee share-based payment schemes (re-awarded into fund units) (2011 £6,284,000) and £1,892,000 (2011 £2,108,000) in relation to social security costs associated with the deferred compensation scheme.

Notes to the financial statements (continued)

Prior to 2 April 2012, the Company operated awards of deferred compensation plans for certain employees. Under these schemes, a portion of the employee's compensation is deferred over a set period and is subject to forfeiture provisions. The amount of deferred compensation is either invested in funds managed by BBAM LLP or is invested in a reference index linked to the profitability of the BlueBay group and RBC. The costs of the deferred compensation scheme is amortised over the vesting period of the award, adjusted for any leavers or forfeitures in accordance with IAS 19. The costs of the outstanding awards as at 2 April 2012 will continue to be expensed by the Company until vesting.

Staff costs include all amounts paid to employees for salaries, cash bonuses and deferred compensation. These costs include Directors' remuneration.

The average number of persons employed by the Company up to the point of transfer was as follows:

	Year ended 31 October 2012	16 months ended 31 October 2011
Asset Management	69	79
Sales and Marketing	35	33
Administration and Finance	155	116
Total average number of employees	<u>259</u>	<u>228</u>

On 2 April 2012, all employee contracts were transferred to BBAM LLP.

5. Directors' remuneration

Fees paid to Non Executive Directors during the year ended 31 October 2012 were as follows:

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Fees	<u>46</u>	<u>218</u>

Fees were paid to Non Executive Directors by the company from 1 November 2011 to 31 March 2012. From 1 April 2012, all fees to Non Executive Directors were paid by BlueBay Asset Management LLP.

6. Finance income

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Continuing operations		
Finance income		
Interest on cash and cash equivalents	243	400
Total finance income	<u>243</u>	<u>400</u>

Notes to the financial statements (continued)

7. Taxation

Analysis of charge in the period:

	Continuing Operations Year ended 31 October 2012 £000s	Discontinued Operations Year ended 31 October 2012 £000s	Continuing Operations 16 months ended 31 October 2011 £000s	Discontinued Operations 16 months ended 31 October 2011 £000s
Current tax				
UK corporation tax on profits for the period / year	4,308	8,581	13,721	29,369
Adjustments to tax charge in respect of previous periods	(1,833)	-	34	-
Total current tax	2,475	8,581	(13,755)	29,369
Deferred tax				
Origination and reversal of temporary differences	(4,046)	(5)	(5,287)	(30)
Adjustments in respect of previous periods	842	(27)	35	-
Adjustment in respect of change in tax rate	1,111	7	1,147	8
Total deferred tax	(2,093)	(25)	(4,105)	(22)
Total tax expense	382	8,556	(17,860)	29,347

The effective UK tax rate for the Company for the period ended 31 October 2012 is 24.83% (2011: 27.125%).

Notes to the financial statements (continued)

A number of changes to the UK Corporation tax system were announced in the March 2012 Budget Statement. The Finance Act 2012, which received Royal Assent on 17 July 2012, includes legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013. As the 23% rate was substantively enacted by balance sheet date, the deferred tax asset has been restated to 23% to the extent that it is expected to reverse post 1 April 2013. Deferred tax assets reversing prior to 1 April 2013 have been recognised at 24%.

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:

Continuing operations:

	Year ended 31 October 2012 £000s	16 months ended 31 October 2012 £000s
Loss on ordinary activities before tax	(520)	(82,957)
Theoretical tax charge at UK rate of 24.83% (2011: 27.125%)	(129)	(22,502)
Effects of		
Expenses not deductible for tax purposes	198	3,506
Depreciation in excess of capital allowances	249	61
Capital items in revenue	13	19
Research and development tax credits	(69)	(93)
Adjustment in respect of previous period	(991)	2
Other		
Effect of change in tax rates	1,111	1,147
Total tax expense	382	(17,860)

8. Dividends

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Equity dividends declared during the year/period		
Interim dividend	-	14,884
Final dividend	-	-
Total dividends declared	-	14,884

The Directors do not propose the payment of a final dividend in respect of the year ended 31 October 2012 (2011: nil).

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 from cash deposits with banks.

Financial assets subject to credit risk are:

	Notes	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Cash and cash equivalents	14	43,888	81,694
Total excluding trade receivables		43,888	81,694
Amounts owed by related parties	13	-	6,039
Other trade receivables	13	734	8,755
Total trade receivables		734	14,794
Total		44,622	96,488

(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:

	AA- or better %	Not rated %
31 October 2012		
Cash and cash equivalents	100	-
Amounts owed by related parties	-	-
Other trade receivables	-	100
31 October 2011		
Cash and cash equivalents	99	1
Amounts owed by related parties	1	99
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 prior to the transfer of the investment management and advisory business to BBAM LLP. The ageing profile of amounts owed by its counterparties at the end of the period is as follows

	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Not older than 30 days	-	11,822
Older than 30 days not older than 60 days	-	421
Older than 60 days not older than 90 days	-	2,354
Older than 90 days but not older than 120 days	734	-
Older than 120 days but not older than 180 days	-	-
Older than 180 days	-	196
Total	734	14,793

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 100% of the total fees outstanding (2011: 20%). 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 2012 £000s	As at 31 October 2011 £000s
AA- ¹ rated bank	43,888	81,694

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 managed by BBAM LLP within current financial assets as described in note 12. 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 published 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 2012 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 Nil (2011: +/- £12,000), with a corresponding impact on the Income Statement.

In respect of current financial assets treated as available-for-sale at 31 October 2012 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 +/- £643,000 (2011: £443,000), 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 2012:

Financial assets

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Cash and cash equivalents	14	42,857	396	633	2	43,888
Trade and other receivables greater than one year	13	1,934	-	-	-	1,934
Trade and other receivables less than one year	13	41,831	95	-	126	42,052
Current financial assets	12	55,858	7,810	665	-	64,333

Total financial assets		142,480	8,301	1,298	128	152,207
------------------------	--	---------	-------	-------	-----	---------

Financial liabilities

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Trade and other payables greater than one year	15	10,007	-	-	-	10,007
Trade and other payables due within one year	15	5,899	241	6,889	-	13,029
Total financial liabilities		15,906	241	6,889	-	23,036

As at 31 October 2011:

Financial assets

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Cash and cash equivalents	14	79,314	783	318	1,279	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	1,369	142,007

Financial liabilities

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Trade and other payables due within one year	15	34,737	3,036	3,625	588	41,986
Total financial liabilities		34,737	3,036	3,625	588	41,986

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.

Notes to the financial statements (continued)

The Company estimates, by recalculating the balance sheet values of financial assets and liabilities denominated in foreign currencies, that at 31 October 2012, 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 £84,000/£86,000 respectively, principally as a result of the (decrease)/increase in assets and liabilities denominated in foreign currencies (2011: pre tax profit will have (decreased)/ increased by £95,000/£96,000 respectively)

(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 10 to 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 2012, if interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the period would have been £618,000 higher (2011 £1,162,000 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 35 basis points to eliminate any interest income received during the current financial year, resulting in post-tax profit £242,000 lower (2011: £400,000 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 2012 £000s	As at 31 October 2011 £000s
Cash and cash equivalents	14	43,888	81,694
Current financial assets	12	64,333	45,519
Trade receivables	13	734	14,794
Total financial assets		108,955	142,007

Financial liabilities	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Less than 180 days	738	15,812
Greater than 180 days, less than 1 year	11,959	21,821
Greater than 1 year, less than 3 years	8,547	4,284
Greater than 3 years	1,792	2,128
	23,036	44,045

Notes to the financial statements (continued)

The Company's total financial assets exceed its total financial liabilities by 4.7:1 (2011. 3 4:1).

(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 2012 Leasehold property £000s	As at 31 October 2011 Leasehold property £000s
Commitments under non-cancellable operating leases expiring		
Within one year	4,105	4,105
Later than one year and less than five years	16,421	16,421
After five years	18,645	22,750
Total	39,171	43,276

	As at 31 October 2012 Computer software £000s	As at 31 October 2011 Computer software £000s
Commitments under non-cancellable operating leases expiring		
Within one year	454	1,131
Later than one year and less than five years	-	-
Total	454	1,131

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.

(d) Classes of financial instruments

As at 31 October 2012:

	Notes	Financial assets at amortised cost £000s	Financial assets Available for Sale £000s	Financial assets at fair value through profit or loss £000s	Total £000s
Financial assets					
Cash and cash equivalents	14	43,888	-	-	43,888
Non current financial assets	12	-	-	48,778	48,778
Current financial assets	12	-	64,333	-	64,333
Trade and other receivables	13	42,052	-	1,934	43,986
Total financial assets		85,490	64,333	50,712	200,985

Notes to the financial statements (continued)

	Notes	Financial liabilities at amortised cost £000s	Financial liabilities Available for Sale £000s	Financial liabilities at fair value through profit or loss £000s	Total £000s
Financial liabilities					
Non-current trade and other payables	15	10,007	-	-	10,007
Current trade and other payables	15	13,029	-	-	13,029
Total financial liabilities		<u>23,036</u>	<u>-</u>	<u>-</u>	<u>23,036</u>

As at 31 October 2011:

	Notes	Financial assets at amortised cost £000s	Financial assets Available for Sale £000s	Financial assets at fair value through profit or loss £000s	Total £000s
Financial assets					
Cash and cash equivalents	14	81,694	-	-	81,694
Non current financial assets	12	-	-	5,969	5,969
Current financial assets	12	-	44,344	1,175	45,519
Trade receivables	13	14,794	-	-	14,794
Total financial assets		<u>96,488</u>	<u>44,344</u>	<u>7,144</u>	<u>147,976</u>

	Financial liabilities at amortised cost £000s	Financial liabilities Available for Sale £000s	Financial liabilities at fair value through profit or loss £000s	Total £000s
Financial liabilities				
Trade and other payables due within one year	<u>44,045</u>	<u>-</u>	<u>-</u>	<u>44,045</u>

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 any regulatory capital requirements arising from its subsidiaries.

From the commencement of the financial year to 18 April 2012, the Company was regulated by the FSA. The Company was in compliance with and maintained a comfortable excess over, the minimum regulatory capital requirements set by the FSA at all times during the year it was subject to regulation. As one of the Company's subsidiaries, BBAM LLP, is regulated by the Financial Conduct Authority ("FCA"), formerly FSA, the group of companies headed by the Company is therefore subject to consolidated regulatory capital requirements. The Group was in compliance with the consolidated capital requirements as set out by the FCA throughout the period.

Once these requirements have been met, available capital may be used to pay dividends to shareholders, 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
	£000s	£000s	£000s	£000s
Cost				
At 1 July 2010	5,679	700	1,674	8,053
Additions	201	74	528	803
At 31 October 2011	5,880	774	2,202	8,856
Additions	22	13	188	223
Disposals	-	-	(16)	(16)
Transferred to BBAM LLP	-	(787)	(2,374)	(3,161)
At 31 October 2012	5,902	-	-	5,902
Accumulated depreciation				
At 1 July 2010	3,039	617	1,166	4,822
Depreciation charge	1,534	95	460	2,089
At 1 July 2010	4,573	712	1,626	6,911
Depreciation charge	1,129	12	155	1,296
Transferred to BBAM LLP	-	(724)	(1,781)	(2,505)
At 31 October 2012	5,702	-	-	5,702
Net book amount as at 31 October 2012	200	-	-	200
Net book amount as at 31 October 2011	1,307	62	576	1,945

At 31 October 2012 and 31 October 2011, none of the above assets were held under finance leases.

Notes to the financial statements (continued)

11. Intangible assets

	Licences
	£000s
Cost	
At 1 July 2010	2,316
Additions	198
At 31 October 2011	2,514
Additions	-
Transferred to BBAM LLP	(2,514)
At 31 October 2012	-
Amortisation	
At 1 July 2010	1,622
Amortisation in the year	530
At 31 October 2011	2,152
Amortisation in the period	106
Transferred to BBAM LLP	(2,258)
At 31 October 2012	-
Net book amount as at 31 October 2012	-
Net book amount as at 31 October 2011	362

Notes to the financial statements (continued)

12. Financial assets

	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Non current financial assets		
Cost less impairment:		
At 1 November 2011 and 1 July 2010	5,969	444
Additions	42,706	5,419
Disposals	-	-
Capital contributions made to subsidiaries	103	106
At 31 October 2012 and 2011	<u>48,778</u>	<u>5,969</u>

Non-current financial assets relate to investments held in subsidiaries and are held at cost less impairment. Additions relate to capital injection of £706,000 (2011 £5,419,000) in BlueBay Asset Management International Limited, a wholly-owned subsidiary of the Company and a capital contribution of £42,000,000 to BBAM LLP.

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.

	As at 31 October 2012 £000s	As at 31 October 2012 £000s
Current financial assets		
Fair value through profit or loss:		
At 1 November 2011 and 1 July 2010	1,175	2,053
Additions	80	449
Fair value adjustment	(302)	(707)
Disposals	(953)	(620)
At 31 October 2012 and 2011	<u>-</u>	<u>1,175</u>
Available for sale:		
At 1 November 2011 and 1 July 2010	44,344	-
Additions	35,539	46,200
Unrealised gains on Available-for-Sale Investments	7,139	(1,856)
Disposals	(22,689)	-
At 31 October 2012 and 2011	<u>64,333</u>	<u>44,344</u>
Total	<u>64,333</u>	<u>45,519</u>

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:

- o Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- o 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
- o 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 2012	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total
Fair value through profit and loss	-	-	-	-
Available-for-sale	-	64,333	-	64,333
31 October 2011	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total
Fair value through profit and loss	-	343	832	1,175
Available-for-sale	-	44,344	-	44,344

Both level 2 and level 3 financial assets consist of holdings of units in fund managed by BBAM LLP and are fair valued based on the fund units' published net asset values. 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:

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Level 3 non current financial assets		
At 1 November 2011 and 1 July 2010	832	1,730
Gains/(losses) included in profit for the year	121	(686)
Additions	-	449
Disposals	(953)	(661)
At 31 October 2012 and 2011	-	832

Notes to the financial statements (continued)

13. Trade and other receivables

	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Trade receivables		
Amounts owed by related parties	-	6,039
Other trade receivables	734	8,755
Other receivables	3	281
Other related party receivables	142	321
Amounts owed by subsidiaries	33,766	1,872
VAT receivable	234	80
Prepayments	920	3,018
Prepayments – deferred compensation scheme	6,253	8,717
Total amounts falling due within one year	42,052	29,083
Prepayments – deferred compensation scheme	1,934	8,871
Total amounts falling due after more than one year	1,934	8,871

14. Cash and cash equivalents

	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Cash at bank and in hand	43,888	81,694
Total cash and cash equivalents	43,888	81,694

Notes to the financial statements (continued)

15. Trade and other payables

	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Trade payables	-	821
Amounts owed to subsidiaries	8,657	6,302
Other tax and social security payable	2,774	8,878
Rebates and commissions payable	-	659
Other payables	388	2,861
Accruals	1,210	22,465
Total trade and other payables due within one year	13,029	41,986
Accruals	10,007	2,059
Total amounts due after more than one year	10,007	2,059

16. Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using an effective tax rate of 24% for amounts which are expected to reverse before 1 April 2013, and 23% for amounts which are expected to reverse after that date (2011: 25% or 24%).

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 £000s
At 1 November 2011	11,068
Income Statement debit	4,051
Prior year adjustment	(815)
Adjustments for changes in tax rates	(1,118)
At 31 October 2012	13,186

Notes to the financial statements (continued)

	Temporary differences £000s
At 1 July 2010	9,253
Income Statement credit	4,896
Deferred tax asset utilised in current year	(259)
Deferred tax on share-based payments taken to equity	(1,668)
	(1,154)
	<hr/>
At 31 October 2011	11,068
	<hr/>

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

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Share option scheme	-	(26)
Share award scheme	-	(1,642)
Total	<hr/>	<hr/>
	-	(1,668)

An analysis of the deferred tax asset is as follows:

	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Accelerated depreciation for tax purposes	596	400
Deferred compensation scheme	8,488	10,668
Difference due to allocation of taxable profits from BlueBay Asset Management LLP	4,102	-
Total deferred tax asset	<hr/>	<hr/>
	13,186	11,068

17. 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. 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.

Notes to the financial statements (continued)

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 £1,769,000 (2011 £38,947,000) 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.

18. Called up share capital

	Number of shares	Ordinary shares £000s	Share premium £000s
At 1 November 2011	198,635,001	199	33,906
At 31 October 2012	198,632,001	199	33,906

	Number of shares	Ordinary shares £000s	Share premium £000s
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

	31 October 2012 Number	31 October 2011 Number	31 October 2012 £000s	31 October 2011 £000s
Allotted, called up and fully paid				
Ordinary shares of £0.001 each	198,635,001	198,635,001	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.

Notes to the financial statements (continued)

19. Cash generated from operations

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Operating profit for the period	33,565	24,472
Adjustments for:		
Financial assets at fair value	(1,134)	707
Gain on shares forfeited by former employee	(1,825)	-
Derivatives at fair value	-	(1,775)
Share-based payments	11,286	38,948
Depreciation	1,296	2,089
Amortisation of intangibles	106	530
	<u>9,729</u>	<u>40,499</u>
Changes in working capital:		
(Increase)/Decrease in receivables	(8,204)	5,773
Increase in payables	(18,366)	928
	<u>(26,570)</u>	<u>6,701</u>
Cash generated from operations	<u>16,724</u>	<u>71,672</u>

Notes to the financial statements (continued)

20. 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 For period from 1 November 2011 to 31 March 2012 when fund management was transferred to BBAM LLP	Provision of investment management and investment services	Management and performance fees earned for portion of the year ended 31 October 2012 (before transfer to BBAM LLP) Expense cap reimbursements (reimbursement by the Company to funds for the excess of its administrative expenses over a pre-determined maximum level) for the year ended 31 October 2012 (before transfer to BBAM LLP)
Subsidiary undertaking for period from 1 November 2011 to 31 March 2012 when provision of financial support transferred to BBAM LLP	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 for period from 1 November 2011 to 31 March 2012 when fund management was transferred to BBAM LLP	Payment of advisory fees from RBC for provision of investment management and investment services	Management fees earned
The Company is a partner of BBAM LLP, it has 51% voting rights	Profit share due from BBAM LLP.	Profit share from LLP for the period 1 April 2012 to 31 March 2013

Notes to the financial statements (continued)

Sales of services during the financial year/period ended:

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Investment management and performance fees net of rebates and expense caps	49,977	184,761
Sub-lease rental income and recharges	-	116
Advisory fees from RBC	168	44

Period end balances arising during the financial year/period ended

	As at 31 October 2012 £000s	As at 31 October 2011 £000s
Trade receivables - Funds managed by the Company	-	6,008
Other receivables - Recharge of expenses to tenant	-	321
Other payables - Expense caps payable to Funds	-	(514)

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

(b) Key management compensation

Total compensation paid to Non Executive directors is disclosed in note 5 to the financial statements.

21. 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. The company controls 51% of the voting rights in BBAM LLP and is entitled to 100% of net assets BlueBay Asset Management International Limited and BBAM LLP are directly owned subsidiaries of the Company. The other subsidiaries are subsidiaries of BlueBay Asset Management International Limited

Principal operating subsidiaries	Country of incorporation	Effective Company interest %
BlueBay Asset Management LLP	United Kingdom	51% voting rights / 100% net assets
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

Notes to the financial statements (continued)

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.

22. Discontinued operations

On April 2 2012, the Company contributed its investment management and advisory business to BBAM LLP in exchange for £42,000,000 of capital in BBAM LLP.

The results of the discontinued operations, which have been included in the income statement, were as follows

	Year ended 31 October 2012 £000s	16 months ended 31 October 2011 £000s
Revenue	59,521	231,138
Cost of sales	(280)	(28,662)
Gross profit	59,241	202,476
Other income	-	1,792
Administrative expenses	(24,915)	(96,538)
Profit before tax	34,326	107,730
Attributable tax expense	(8,556)	(29,347)
Net profit attributable to discontinued operations	25,770	78,383

During the year/period, the Company contributed £16,146,000 (2011 £105,153,000) to operating cash flows and used £185,000 (2011 £486,000) in investing activities.

23. 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 Riverbank House, 2 Swan Lane, London EC4R 3BF. Group accounts are filed at Companies House.