

BlueBay Asset Management (Services) Ltd

Annual report and Financial Statements

For the year to 31 October 2016

Registered number: 03262598

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Strategic Report

The Directors present their Strategic Report of BlueBay Asset Management (Services) Ltd ("the Company") for the year ended 31 October 2016.

Business Review

Operating profit for the year was £21,740,000 compared with a profit of £39,761,000 in the previous year.

The Company received dividends from subsidiaries of £8,396,000 during the year (year ended 31 October 2015: £10,148,000).

Profit for the year attributable to ordinary equity shareholders was £25,073,000 compared with £46,013,000 in the previous year. During the year the Company paid a dividend of £45,000,000 based on the 2015 profit after tax. A dividend of £25,000,000 is to be proposed for the current year.

Principal Activities

The principal activity of 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. The Company also has all rights over IT equipment and software used by BBAM LLP.

The Company is also the parent of BlueBay Asset Management International Limited, a company incorporated in the United Kingdom which is the holding company for BlueBay Group companies domiciled outside of the United Kingdom (see note 19).

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.

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 sufficient cash levels.

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.

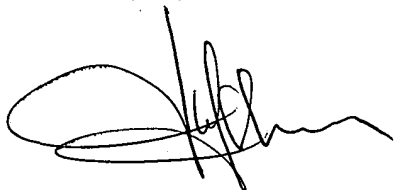
Strategic Report (continued)

Key Performance Indicators

As a corporate member, the Company's performance is dependent on the level of profit allocations from BBAM LLP and dividends received from its subsidiaries. In 2016, allocations were £27,621,000 (2015: £43,734,000) and dividends were £8,396,000 (2015: £10,148,000). The Directors do not consider further KPIs to be relevant to gain an understanding of the business.

Outlook

The Directors are satisfied with the development of the business during the year. The Directors anticipate the Company will continue to operate in a similar capacity in the future.

A handwritten signature in black ink, appearing to read 'Luc Leclercq', with a large, stylized initial 'L' and a long horizontal flourish extending to the right.

Luc Leclercq

20 June 2017

Directors' Report

The Directors submit their report together with the audited Financial Statements for the year ended 31 October 2016 as required by the Companies Act 2006.

Called up share capital

As at 31 October 2016, the called up share capital of the Company consisted of 198,635,001 shares of £0.001 each.

The Company is a wholly-owned subsidiary of Royal Bank Holding Inc. ("RBHI"), which is a wholly-owned subsidiary of Royal Bank of Canada ("RBC").

Directors

The Directors who served during the year and up to the date of signing the Financial Statements, except as otherwise noted below, were as follows:

	Appointed	Resigned
Nick Williams (Executive Director)		31 December 2016
Erich Gerth (Executive Director)		
Luc Leclercq (Executive Director)	1 January 2017	
John Roberts (Independent Non-Executive Director – Chairman)		22 March 2017
Alan Gibbins (Non-Executive Director)		
Stephen Krag (Non-Executive Director)		
Jim Pettigrew (Non-Executive Director– Chairman)	22 March 2017	

None of the Directors held any share capital of the Company at 31 October 2016 (31 October 2015: none).

Financial instruments

Details of the financial risk management objectives and policies of the Company and exposure to interest risk, credit risk, liquidity risk and foreign exchange risk are given in note 8 of the Financial Statements.

Disclosure of Information to the Auditors

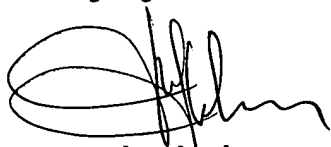
Each of the persons who are a Director at the date of approval of these Financial Statements confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's 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.

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. Having made appropriate enquiries, the Directors believe there is no reason to expect the Company will not continue to operate as a going concern.



Director: **Luc Leclercq**
Date: 20 June 2017

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 ("IFRS") 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:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 (www.bluebay.com). Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of BlueBay Asset Management (Services) Ltd

Report on the Financial Statements

Our opinion

In our opinion, BlueBay Asset Management (Services) Ltd's Financial Statements (the "Financial Statements"):

- give a true and fair view of the state of the company's affairs as at 31 October 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The Financial Statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 October 2016;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Shareholders' Equity for the year then ended; and
- the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Financial Statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Members of BlueBay Asset Management (Services) Ltd
(continued)

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of Financial Statements involves

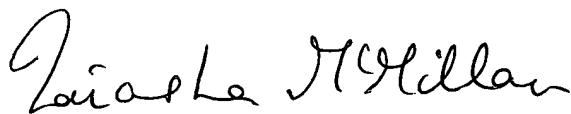
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Natasha McMillan (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
20 June 2017

Income Statement

For the year ended 31 October 2016

	Notes	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Operating income – BBAM LLP profit allocation	1	27,621	43,734
Other income	3	194	256
Total income		27,815	43,990
Other (losses) / gains	3	(112)	5,710
Foreign exchange gains / (losses)	3	3,432	(364)
Administrative expenses		(9,395)	(9,575)
Operating profit		21,740	39,761
Finance income	5	210	397
Dividends received	7	8,396	10,148
Profit on ordinary activities before taxation		30,346	50,306
Taxation	6	(5,273)	(4,293)
Profit for the year attributable to ordinary equity shareholders		25,073	46,013

The significant accounting policies and notes on pages 14 to 34 are an integral part of these Financial Statements.

All results during the financial year were from continuing operations.

Statement of Comprehensive Income

For the year ended 31 October 2016

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Profit for the year	25,073	46,013
Items that may subsequently be reclassified to profit or loss:		
Other comprehensive income:		
Change in unrealised gains on available-for-sale investments in the year	2,543	927
Transfers to Income Statement on disposal of available-for-sale securities	112	(5,710)
Current tax on available-for-sale investments	(543)	693
Total comprehensive income for the year: net of tax	27,185	41,923

The significant accounting policies and notes on pages 14 to 34 are an integral part of these Financial Statements.

Statement of Financial Position

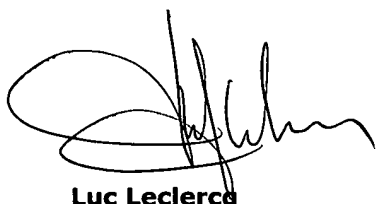
As at 31 October 2016

	Notes	As at 31 October 2016 £000s	As at 31 October 2015 £000s
Assets			
Non-current assets			
Leasehold improvements	9	1,218	1,985
Deferred tax asset	15	2,960	3,581
Trade and other receivables	12	8	8
Available-for-sale securities	10	42,271	21,003
Investments in subsidiaries	11	54,833	54,833
Total non-current assets		101,290	81,410
Current assets			
Trade and other receivables	12	32,639	78,420
Available-for-sale securities	10	19,244	21,750
Current tax assets		3,398	9,907
Cash and cash equivalents	13	24,266	3,375
Total current assets		79,547	113,452
Total assets		180,837	194,862
Liabilities			
Non-current liabilities			
Trade and other payables	14	1,620	2,143
Total non-current liabilities		1,620	2,143
Current liabilities			
Trade and other payables	14	5,036	723
Total current liabilities		5,036	723
Total liabilities		6,656	2,866
Shareholders' equity			
Called up share capital	16	199	199
Share premium	16	33,906	33,906
Retained earnings		137,026	156,953
Other components of equity		3,050	938
Total shareholders' equity		174,181	191,996
Total equity and liabilities		180,837	194,862

The significant accounting policies and notes on pages 14 to 34 are an integral part of these Financial Statements.

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

The Financial Statements on pages 9 to 34 were approved by the Board of Directors and authorised for issue on 20 June 2017 and signed on its behalf by:



Director: **Luc Leclercq**

Statement of Changes in Shareholders' Equity

For the year ended 31 October 2016

	Called up share capital £000s	Share premium £000s	Retained earnings £000s	Other components of equity £000s	Total equity £000s
Balance at 1 November 2015	199	33,906	156,953	938	191,996
Profit for the year	-	-	25,073	-	25,073
Change in unrealised gains on available-for-sale securities	-	-	-	2,543	2,543
Transfers to Income Statement on disposal of available-for-sale securities	-	-	-	112	112
Current tax on available-for-sale securities	-	-	-	(543)	(543)
Dividends paid	-	-	(45,000)	-	(45,000)
Balance at 31 October 2016	199	33,906	137,026	3,050	174,181

	Called up share capital £000s	Share premium £000s	Retained earnings £000s	Other components of equity £000s	Total equity £000s
Balance at 1 November 2014	199	33,906	235,940	5,028	275,073
Profit for the year	-	-	46,013	-	46,013
Change in unrealised gains on available-for-sale securities	-	-	-	927	927
Transfers to Income Statement on disposal of available-for-sale securities	-	-	-	(5,710)	(5,710)
Current tax on available-for-sale securities	-	-	-	693	693
Dividends paid	-	-	(125,000)	-	(125,000)
Balance at 31 October 2015	199	33,906	156,953	938	191,996

The significant accounting policies and notes on pages 14 to 34 are an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 October 2016

		Year ended 31 October 2016	Year ended 31 October 2015
	Notes	£000s	£000s
Cash flows from operating activities			
Cash generated from operations	17	70,539	39,510
Taxation received / (paid)		500	(15,911)
Net cash generated from operating activities		71,039	23,599
Cash flows from investing activities			
Purchase of leasehold improvements	9	(32)	(664)
Purchase of available-for-sale securities	10	(18,737)	(28,595)
Sale of available-for-sale securities	10	5,015	31,141
Capital contribution to subsidiary	11	-	(6,000)
Net cash used in investing activities		(13,754)	(4,118)
Cash flows from financing activities			
Dividends paid	7	(45,000)	(125,000)
Dividends received	7	8,396	10,148
Interest income received	5	210	397
Net cash used in financing activities		(36,394)	(114,455)
Net increase / (decrease) in cash and cash equivalents		20,891	(94,974)
Cash and cash equivalents at beginning of the year		3,375	98,349
Cash and cash equivalents at end of the year		24,266	3,375

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 14 to 34 are an integral part of these Financial Statements.

Notes to the Financial Statements

1. 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 Company's principal activity is described in the Strategic Report on page 3.

The profit allocation from BBAM LLP is included in 'operating 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 year.

a) Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations issued by either the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRSIC") 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 securities that are held at either fair value through profit or loss, or as 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 was, at the end of the year, a wholly-owned subsidiary of another company incorporated outside the EEA and is not required to produce, and has not published, Consolidated Financial Statements. Details of the Company's investments in subsidiaries are set out in note 11 and note 19.

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

At the date of authorisation of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- (i) IFRS 9 – Financial Instruments
- (ii) IFRS 14 – Regulatory Deferral Accounts
- (iii) IFRS 15 – Revenue from Contracts with Customers
- (iv) Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- (v) IAS 1 (amendments) – Disclosure Initiative
- (vi) IAS 16 and IAS 38 (amendments) – Clarification of Acceptable Methods of Depreciation and Amortisation
- (vii) IFRS 10, IFRS 12 and IAS 28 (amendments) – Investment Entities: Applying the Consolidation Exception
- (viii) IFRS 16 – Leases
- (ix) Annual Improvements to IFRSs 2012-2014 Cycle
- (x) Amendments to IAS 12 – Income Taxes – Recognition of deferred tax assets for unrealised losses

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

Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

e) 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, such as accruals, provisions, estimates of useful life and estimates in relation to research and development assets claimed as a research and development expenditure credit ("RDEC"), will be modified as appropriate in the period in which the circumstances change.

f) Leasehold Improvements

Leasehold improvements are shown at cost, less accumulated depreciation and any recognised 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 five 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.

g) Securities

(i) Classification

Current securities are classified at inception based on accounting standards as available-for-sale ("AFS") using IAS 39 Financial Instruments: recognition and measurement.

Current securities treated as AFS relate to the purchase of unit funds in Investment Funds managed by BBAM LLP. These assets include both fund units acquired on behalf of the LLP to hedge liabilities arising under employee deferral compensation plans linked to fund performance 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 securities are recognised on trade-date, the date on which the LLP commits to purchase or sell the asset. Securities are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the LLP has transferred substantially all the risks and rewards of ownership.

AFS securities are held at fair value. The fair values of AFS securities are determined by using the published net asset values of the funds at the Balance Sheet date. Unrealised 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.

Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

h) Investments in subsidiaries

Investments in subsidiaries are held at cost, less provision for impairment.

i) 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 amount of the provision and subsequent changes are recognised in the Income Statement in administrative expenses.

j) Cash and cash equivalents

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

k) Trade and other payables

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

l) 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.

m) Fair value estimation

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

n) 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.

o) Employee benefits

(i) Deferred compensation scheme

Prior to April 2012, when the Company's investment management business was transferred to BBAM LLP, the Company operated a Deferred Compensation Scheme for certain employees under which a portion of an employee's bonus was invested in units in funds managed by the Company. Following the transfer of the business to BBAM LLP, the Company retained the liability for these awards.

(ii) For awards subsequent to April 2012, fund units are included in the Company Financial Statements within Available-for-Sale current securities (see note 10).

Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

p) Operating income

BBAM LLP profit allocation

The operating income earned in the United Kingdom of the Company is the allocation of profit from BBAM LLP. The Company holds 51% of the voting rights in BBAM LLP.

q) 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. 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.

The following exchange rates were used to convert monetary items on the balance sheet which are not denominated in GBP.

Currency	Currency rate
USD/GBP	1.224
EUR/GBP	1.115

r) 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 Comprehensive Income, in which case it is recognised in the Statement of Changes in Shareholders 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.

s) 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.

Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

t) 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.

u) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions are complied with. When the grant relates to non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit and loss over the expected life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments. The government grant claimed by the Company is in relation to research and development assets claimed as a research and development expenditure credit ("RDEC").

Notes to the Financial Statements (continued)

2. Administrative expenses

	Notes	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
The following items have been included in administrative expenses:			
Staff costs	4	203	499
Depreciation	9	612	600
Other operating lease rentals payable: Property		<u>4,945</u>	<u>4,620</u>

Audit and non-audit fees

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Fees payable to the Company's auditors for the audit of the Financial Statements	<u>36</u>	<u>50</u>

There were no non-audit services provided by the auditors to the Company in the current or prior year.

3. Other income and expenses

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Other income includes the following items:		
Government grant	194	250
Gains on financial assets designated at fair value through profit and loss	-	6
	<u>194</u>	<u>256</u>

Other gains and losses include the following items:

Realised gain /(loss) on available-for-sale securities	<u>112</u>	<u>(5,710)</u>
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Foreign exchange gains / (losses) include the following items:

Net foreign exchange gain /(loss) recognised	<u>3,432</u>	<u>(364)</u>
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Notes to the Financial Statements (continued)

4. Staff costs

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Social security costs / (credit)	225	(254)
Deferred bonus compensation	(22)	753
Total staff costs	203	499

5. Finance income

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Finance income:		
Interest on cash deposits	210	372
Other interest	-	25
Finance income	210	397

6. Taxation

Analysis of charge in the year:

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Current tax:		
UK corporation tax on profits for the year	4,765	5,294
Adjustments to tax charge in respect of previous periods	(113)	(2,245)
Total current tax	4,652	3,049
Deferred tax:		
Origination and reversal of temporary differences	423	2,979
Adjustments in respect of previous years	219	(1,769)
Adjustment in respect of change in tax rate	(21)	34
Total deferred tax	621	1,244
Total tax expense	5,273	4,293

The standard corporation UK tax rate for the Company for the year ended 31 October 2016 is 20.00% (2015: 20.42%).

Notes to the Financial Statements (continued)

6. Taxation (continued)

Legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020 has been substantively enacted by the Balance Sheet date. The deferred tax asset has been measured at 19%, as the vast majority is expected to unwind prior to 1 April 2020.

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:

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Profit on ordinary activities before tax	30,346	50,306
Standard corporation tax charge at UK rate of 20.00% (2015: 20.42%)	6,069	10,272
Effects of:		
Expenses not deductible for tax purposes	25	20
Income not subject to tax	(132)	-
Ineligible depreciation	68	52
Adjustment in respect of previous period	106	(4,013)
Effect of change in tax rates	(20)	34
Non-taxable dividend received from BlueBay Asset Management International Limited ("BBAMI")	(1,679)	(2,072)
Impact of LLP profit allocation bases	836	-
Total tax expense	5,273	4,293

7. Dividends

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Dividends paid	45,000	125,000
Dividends received	8,396	10,148

The Board is proposing to declare a dividend of £25,000,000 at the Board Meeting on 20 June 2017.

Notes to the Financial Statements (continued)

8. 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 its counterparties to meet their 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 2016 £000s	As at 31 October 2015 £000s
Cash and cash equivalents	13	24,266	3,375
Other trade receivables	12	32,639	78,428
Total		56,905	81,803

(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:

	A ¹ or better %	Not rated %
As at 31 October 2016		
Cash and cash equivalents	100	-
Other trade receivables	-	100
As at 31 October 2015		
Cash and cash equivalents	100	-
Other trade receivables	-	100

¹ Standard & Poor's ratings

(ii) Concentrations of credit risk

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

	As at 31 October 2016 £000s	As at 31 October 2015 £000s
AA- ¹ rated bank	22,500	-
A-rated bank	1,766	-
A rated bank	-	3,375

¹ Standard & Poor's ratings

The amount of these exposures can change significantly each month. Other trade receivables are considered to have minimal credit risk exposure as the majority of these receivables relate to amounts owed by subsidiaries.

Notes to the Financial Statements (continued)**8. Financial risk management** (continued)**(b) Market risk management****(i) Investment risk**

The Company has investments in funds managed by BBAM LLP within current securities as described in note 10. Both securities designated as fair value through profit and loss and available-for-sale securities are stated at market value based on 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 total securities treated as available-for-sale at 31 October 2016 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 +/- £624,000 (2015: +/- £428,000), with a corresponding impact on Comprehensive Income.

(ii) Foreign exchange risk

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

As at 31 October 2016:**Financial assets**

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Cash and cash equivalents	13	24,203	33	17	13	24,266
Trade and other receivables greater than one year	12	8	-	-	-	8
Trade and other receivables less than one year	12	31,337	1,302	-	-	32,639
Available-for-sale securities greater than one year	10	26,567	14,152	1,552	-	42,271
Available-for-sale securities less than one year	10	18,609	629	6	-	19,244
Total financial assets		100,724	16,116	1,575	13	118,428

Financial liabilities

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Trade and other payables greater than one year	14	1,620	-	-	-	1,620
Trade and other payables less than one year	14	5,036	-	-	-	5,036
Total financial liabilities		6,656	-	-	-	6,656

Notes to the Financial Statements (continued)**8. Financial risk management** (continued)**(b) Market risk management** (continued)

(ii) Foreign exchange risk (continued)

As at 31 October 2015:**Financial assets**

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Cash and cash equivalents	13	3,344	12	10	9	3,375
Trade and other receivables greater than one year	12	8	-	-	-	8
Trade and other receivables less than one year	12	78,928	(508)	-	-	78,420
Available-for-sale securities	10	31,744	10,593	416	-	42,753
Total financial assets		114,024	10,097	426	9	124,556

Financial liabilities

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Trade and other payables greater than one year	14	2,143	-	-	-	2,143
Trade and other payables due within one year	14	723	-	-	-	723
Total financial liabilities		2,866	-	-	-	2,866

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 2016, 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 increased/(decreased) by £177,000/(£177,000 respectively, principally as a result of the increased/(decrease) in assets and liabilities denominated in foreign currencies (2015: pre-tax profit will have increased/(decreased) by £113,000/(£113,000) 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 which attract interest rate risk are cash balances which are held at a floating rate.

At 31 October 2016, if interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been £325,000 higher (2015: £636,000 higher), if interest rates had decreased to nil basis points the post-tax profit would have been £168,000 lower (2015: £316,000 lower).

Notes to the Financial Statements (continued)**8. Financial risk management** (continued)**(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 2016 £000s	As at 31 October 2015 £000s
Cash and cash equivalents	13	24,266	3,375
Available-for-sale securities	10	61,515	42,753
Trade receivables	12	32,647	78,428
Total financial assets		118,428	124,556
Financial liabilities	Notes	As at 31 October 2016 £000s	As at 31 October 2015 £000s
Trade and other payables	14	6,656	2,866
Total financial liabilities		6,656	2,866

The Company's total current financial assets exceed its total current financial liabilities by 17.8:1 (2015: 43.5:1).

(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 2016 Leasehold property £000s	As at 31 October 2015 Leasehold property £000s
Commitments under non-cancellable operating leases:		
Within one year	4,734	5,087
Later than one year and less than five years	18,938	20,348
After five years	2,348	7,486
Total	26,020	32,921

b) Capital commitments and contingent liabilities

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

Notes to the Financial Statements (continued)

8. Financial risk management (continued)

(d) Classes of financial instruments

As at 31 October 2016:

	Notes	Financial assets at amortised cost £000s	Securities Available-for- Sale £000s	Total £000s
Financial assets				
Cash and cash equivalents	13	24,266	-	24,266
Current securities	10	-	19,244	19,244
Long term securities	10	-	42,271	42,271
Total financial assets		24,266	61,515	85,781

	Notes	Financial liabilities at amortised cost £000s	Total £000s
Financial liabilities			
Trade and other payables due within one year	14	5,036	5,036

As at 31 October 2015:

	Notes	Financial assets at amortised cost £000s	Securities Available for Sale £000s	Total £000s
Financial assets				
Cash and cash equivalents	13	3,375	-	3,375
Current securities	10	-	21,750	21,750
Long term securities	10	-	21,003	21,003
Total financial assets		3,375	42,753	46,128

	Notes	Financial liabilities at amortised cost £000s	Total £000s
Financial liabilities			
Trade and other payables due within one year	14	723	723

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)

8. Financial risk management (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.

As one of the Company's subsidiaries, BBAM LLP, is regulated by the Financial Conduct Authority ("FCA"), 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 current year.

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.

9. Leasehold Improvements

	Leasehold Improvements
	£000s
Cost	
At 1 November 2014	8,155
Additions	664
Disposals	-
At 31 October 2015	8,819
Additions	32
Write off	(485)
At 31 October 2016	8,366
Accumulated Depreciation	
At 1 November 2014	6,234
Depreciation charge	600
At 31 October 2015	6,834
Write off	(298)
Depreciation charge	612
At 31 October 2016	7,148
 Net book amount as at 31 October 2015	 <u>1,985</u>
Net book amount as at 31 October 2016	<u>1,218</u>

At 31 October 2016 and 31 October 2015, none of the above assets were held under finance leases.

Notes to the Financial Statements (continued)

10. Available-for-sale securities

	As at 31 October 2016 £000s	As at 31 October 2015 £000s
Fair value through profit or loss:		
At 1 November 2015 and 2014	-	-
Fair value adjustment	-	(6)
Additions	-	6
Disposals	-	-
At 31 October 2016 and 2015	-	-
Available-for-sale:		
At 1 November 2015 and 2014	42,753	44,648
Additions	18,737	28,595
Unrealised gains on available-for-sale securities	2,543	927
Foreign exchange gains / (losses)	3,413	(276)
Disposals	(5,931)	(31,141)
At 31 October 2016 and 2015	61,515	42,753
Total securities falling due within one year	19,244	21,750
Total securities falling due after more than one year	42,271	21,003
At 31 October 2016 and 2015	61,515	42,753

The classification and measurement of securities is discussed in significant accounting policies (g).

Securities 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 securities can be analysed as follows:

As at 31 October 2016	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
Available-for-sale	-	61,515	-	61,515
As at 31 October 2015	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
Available-for-sale	-	42,753	-	42,753

Level 2 securities consist of holdings of units in fund managed by BBAM LLP 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. If the Company were unable to redeem its investment at the published net asset value due to restrictions on redemptions placed on the fund the security would be classified as Level 3.

Notes to the Financial Statements (continued)

11. Investments in Subsidiaries

	As at 31 October 2016 £000s	As at 31 October 2015 £000s
Cost less impairment:		
At 1 November 2015 and 2014	54,833	48,833
Increase in class A capital contribution in subsidiary	-	6,000
At 31 October 2016 and 2015	54,833	54,833

12. Trade and other receivables

	As at 31 October 2016 £000s	As at 31 October 2015 £000s
Other receivables	2,112	250
Amounts owed by subsidiaries	29,157	76,494
VAT receivable	363	308
Prepayments	1,007	1,368
Total amounts falling due within one year	32,639	78,420
Other receivables	8	8
Total amounts falling due after more than one year	8	8

13. Cash and cash equivalents

	As at 31 October 2016 £000s	As at 31 October 2015 £000s
Cash at bank	24,266	3,375

Notes to the Financial Statements (continued)

14. Trade and other payables

	As at 31 October 2016 £000s	As at 31 October 2015 £000s
Amounts owed to subsidiaries	3,819	-
Other tax and social security payable	225	-
Other payables	11	195
Accruals	981	528
Total trade and other payables due within one year	5,036	723
Accruals	1,620	2,143
Total amounts due after more than one year	1,620	2,143

15. Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2015: 20% or 19%).

Deferred tax assets have been recognised where the tax deduction in the current year 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 year are shown below.

(a) Deferred tax assets

The movement on the deferred tax asset account is as follows:

	Temporary differences £000s
At 1 November 2015	3,581
Income Statement charge	(423)
Prior year adjustment	(219)
Adjustments for changes in tax rates	21
At 31 October 2016	2,960

Notes to the Financial Statements (continued)

15. Deferred taxation (continued)

	Temporary differences £000s
At 1 November 2014	4,825
Income Statement charge	(2,979)
Prior year adjustment	1,769
Adjustments for changes in tax rates	(34)
At 31 October 2015	3,581

An analysis of the deferred tax asset is as follows:

	As at 31 October 2016 £000s	As at 31 October 2015 £000s
Accelerated depreciation for tax purposes	641	719
Deferred compensation scheme	2,496	2,136
Difference due to allocation of taxable profits BlueBay Asset Management LLP	248	1,110
Difference due to accounting and tax bases of RDEC	(425)	(384)
Total deferred tax asset	2,960	3,581

16. Called up share capital

	Number of shares	Ordinary shares £000s	Share premium £000s
At 1 November 2014	198,635,001	199	33,906
At 1 November 2015	198,635,001	199	33,906
At 31 October 2016	198,635,001	199	33,906

	As at 31 October 2016 Number	As at 31 October 2015 Number	As at 31 October 2016 £000s	As at 31 October 2015 £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)

17. Cash generated from operations

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Operating profit for the year	21,740	39,761
Adjustments for:		
Foreign exchange gains on available-for-sale securities	(3,413)	(276)
Gains on available for sale securities	(1,194)	(5,158)
Depreciation and write offs	799	600
	(3,808)	(4,834)
Changes in working capital:		
Decrease in receivables	46,641	33,905
Increase / (decrease) in payables	5,966	(29,322)
	52,607	4,583
Cash generated from operations	70,539	39,510

Notes to the Financial Statements (continued)

18. Related party transactions

The following transactions were carried out with related parties:

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

The below table outlines the related party relationships which existed during the financial year.

Description of relationship	Description of service	Description of transactions
The Company is a member of BBAM LLP, it has 51% voting rights.	Profit allocation due from BBAM LLP.	Profit allocation from LLP classified as operating income.
RBC Europe Limited ("RBCEL") is an affiliate of the Company.	Cash is held on deposit with RBCEL.	Interest is received from RBCEL for the cash held on deposit during the year.
The Company is the parent of BBAMI.	Provision of financial support.	Receipt of dividend from BBAMI.
The company is a subsidiary of Royal Bank Holding Inc.	Dividends	Payment of dividends to the parent entity.

Transactions between the Company and related parties are disclosed below.

31 October 2016

	Operating income £000s	Finance income £000s	Cash and cash equivalents £000s	Amounts owed by related parties £000s	Amounts owed to related parties £000s	Dividends received / (paid) £000s
Immediate parent	-	-	-	-	-	(45,000)
Subsidiaries of the Company	27,621	-	-	29,157	3,819	8,396
Affiliated entities	-	132	22,500	-	-	-

31 October 2015

	Operating income £000s	Finance income £000s	Cash and cash equivalents £000s	Amounts owed by related parties £000s	Amounts owed to related parties £000s	Dividends received / (paid) £000s
Immediate parent	-	-	-	-	-	(125,000)
Subsidiaries of the Company	43,734	-	-	76,494	37	10,148
Affiliated entities	-	318	-	-	-	-

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

Notes to the Financial Statements (continued)

19. 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 within the Group are subsidiaries of BlueBay Asset Management International Limited.

Principal operating subsidiaries	Country of incorporation	Effective Company interest %
BlueBay Asset Management LLP ¹	United Kingdom	51% voting rights / 100% net assets
BlueBay Funds Management Company S.A. ¹	Luxembourg	100
BlueBay Asset Management International Limited ³	United Kingdom	100
BlueBay Asset Management USA LLC ^{1*}	United States of America	100
BlueBay Hong Kong Limited ³	Hong Kong	100
BlueBay Asset Management AG ³	Switzerland	100
BlueBay General Partner II S.á.r.l. ⁴	Luxembourg	100
BlueBay Asset Management Corporation Limited ^{2 **}	United Kingdom	100

¹Asset manager, ²Service company, ³Sales office, ⁴Company acting as a General Partner

*On November 1, 2016 the Company was transferred to RBC, the Group's ultimate parent company; prior to the subsequent transfer of the Company from RBC to RBC USA HoldCo Corporation on the same day.

** Incorporated on 4 March 2017.

The Company's Jersey domiciled Employee Benefit Trust, BlueBay Asset Management Ltd Employee Benefit Trust, is also considered to be subsidiary under IFRS.

The registered addresses for the Company's principal operating subsidiaries are shown below.

United Kingdom	77 Grosvenor Street, London, W1K 3JR
Luxembourg	24, rue Beaumont, L-1219, Luxembourg
United States of America	Four Stamford Plaza, 107 Elm Street, Suite 512, Stamford, CT 06902, USA
Hong Kong	Unit 1303, 13F, Dina House, Ruttonjee Centre, 11 Duddell Street, Central Hong Kong
Switzerland	Lintheschergasse 15, 8001 Zürich

20. Parent Company and ultimate controlling party

The Company's ultimate parent Company is the 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 Financial Statements 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 Financial Statements are filed at Companies House.

21. Post balance sheet event

The Board is proposing to declare a dividend of £25,000,000 at the Board Meeting on 20 June 2017.