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BlueBay Asset Management plc
Annual Report 2007

BlueBay
asset management

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Business Overview

Shareholder and Company Information is on the inside back cover

Resources of a mainstream asset manager, investment mindset of a boutique

BlueBay provides investment management services to institutions and high net worth individuals, offering three distinct asset management styles to its investors – long-only funds, long/short funds and structured products

We seek to provide asset management services characterised by active management and a focus on absolute returns

We are developing the infrastructure of an asset manager many times our current size, including a new London base with room to expand, and distribution offices in Tokyo and New York

Business Highlights

$13.1bn

Assets under Management ("AuM") of $13 1 billion as at 30 June 2007, up **89%** from the previous year

+66%

Profit before tax up 66% to £51 6 million

£109.2m

Total fee revenue up **44%** to £109 million

6.0p

Proposed dividend per share (subject to shareholder approval)

Initial public offering

BlueBay was admitted to the Official List of the UK Listing Authority on 22 November 2006

New hedge fund

Launch of BlueBay Multi-Strategy Hedge Funds in April 2007 with AuM of $0 6 billion as at 30 June 2007

Awards

- Emerging Market Debt Manager of the Year 2007 – Global Investor Awards
- Award for Excellence in Hedge Fund Operations – Best Operator in Fixed Income Single Manager Europe 2007 – Financial News.

5th anniversary

July 2006 marked BlueBay's 5th anniversary since inception highlighting the significant growth in the organisation both in terms of AuM and resource

Financial Highlights For the year ended 30 June

	2007	2006
Assets under Management	**$13.1bn**	$7 0bn
Net management fees *	**£61 0m**	£37 2m
Performance fees	**£48 2m**	£38 8m
Profit before tax **	**£51 6m**	£31 1m
Profit after tax	**£35 2m**	£21 6m
Operating margin **	**45 2%**	39 9%
Diluted earnings per share	**18 5p**	15 8p
Dividend per share ***	**6.0p**	n/a

* Stated net of rebates and expense cap reimbursements For further details refer to page 21 of Business Review
** Stated after exceptional items For further details refer to page 22 of the Business Review
*** Proposed dividend per share subject to shareholder approval at the Annual General Meeting to be held on 14 November 2007
Private limited company prior to November 2006

Two Secular Opportunities

BlueBay's business model is positioned to take advantage of strong secular growth trends in both European and global emerging market debt markets.

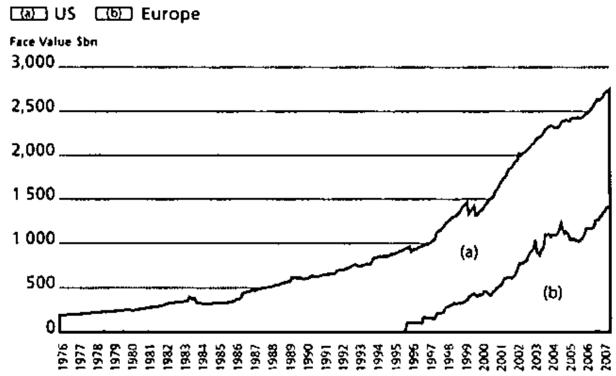
European corporate debt market

Over the last decade, the introduction of the Euro has created a deep homogeneous debt capital market from what was once a small, fragmented and illiquid market The European debt market has experienced rapid growth and continues to exhibit faster growth momentum than its US counterpart

This growth has been fuelled by increases in

investor demand from liability driven institutions such as insurance companies and pension funds
the growing disintermediation of the banking sector from the corporate lending process
leveraged buyout (LBO) activity

US vs European Public Corporate Bond Market



Source Merrill Lynch

Global emerging market debt

Emerging market debt has matured as an asset class in the last decade such that it is now considered a mainstream asset class across sovereign and corporate issuers in a variety of hard and, more recently local currencies

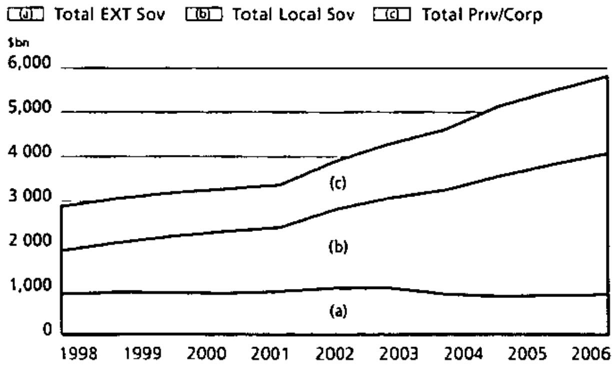
Over the last few years, emerging market economies have experienced

sustained robust domestic economic growth
increased foreign exchange reserves
the general adoption of floating foreign exchange rates

The resultant market has seen

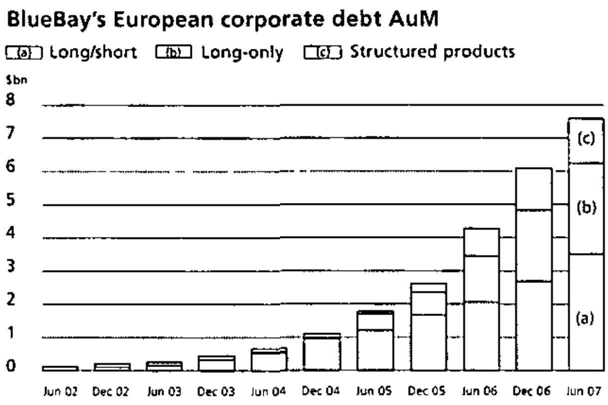
a steady increase in tradable liquid debt instruments and derivative contracts
an upward momentum in the credit quality of issuers

Emerging market debt



Source JP Morgan

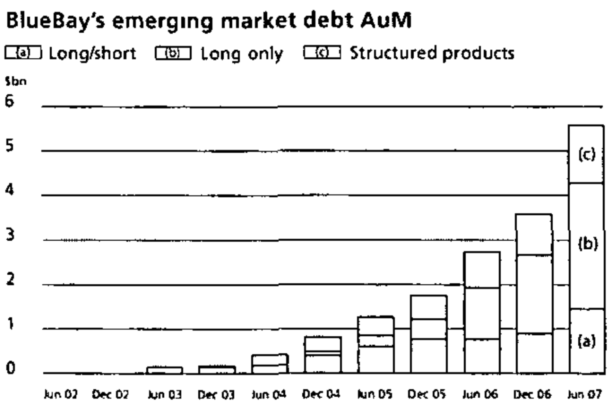
As these markets have grown, so has the demand for specialist managers such as BlueBay with the expertise to manage the full range of debt instruments



Source BlueBay Asset Management plc

BlueBay's credentials

BlueBay's European corporate debt investment management capabilities cover the full credit spectrum from investment grade bonds to distressed debt



Source BlueBay Asset Management plc

BlueBay's credentials

BlueBay's emerging market debt investment management capabilities have evolved to cover sovereign external and local currency debt as well as emerging market corporate debt

BlueBay at a Glance

Founded in 2001, BlueBay is one of the largest independent managers of fixed income credit funds and products in Europe.

We specialise in two major sub-asset classes within the fixed income credit markets

European Corporate Debt
Emerging Market Debt

Within each sub-asset class, BlueBay offers three distinct asset management styles to its investors

long/short funds
long-only funds/products
structured products

BlueBay also manages segregated mandates on behalf of large institutional investors

BlueBay's aim is to be a premier provider of investment solutions to investors allocating to the sub-asset classes of European fixed income and emerging market debt In order to achieve this we seek to provide asset management services that are characterised by

Upper quartile performance, driven by investment flexibility, active management and a focus on absolute returns
Operational strength, including state-of-the-art portfolio and risk management systems and a robust compliance environment
High quality client service, with an emphasis on timely and transparent performance reporting

These three interlocking disciplines, reflected in our organisational structure, receive equal emphasis within BlueBay and together form the basis of our approach to investment management

Based in London, with offices in Tokyo and New York, BlueBay provides investment management services to institutions and high net worth individuals globally

London
BlueBay's head office, founded in 2001 is the main location for our investment, infrastructure, distribution and client servicing resource

Tokyo
Opened in early 2005, our Tokyo office services the region's investors

New York
Our most recently opened office, in April 2006 with dedicated trading and client servicing resource

Long/Short Funds

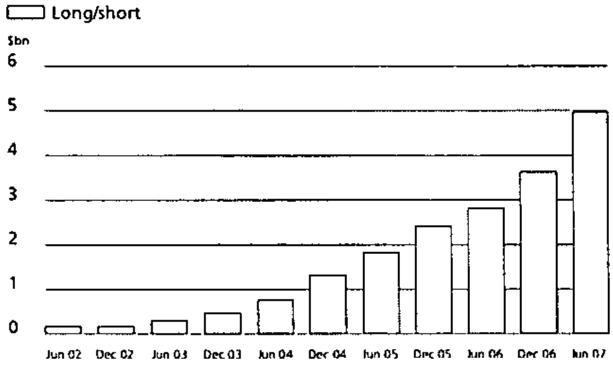
Relatively low volatility products by industry standards which are designed to produce high risk adjusted returns to investors

Flagship Products	Annualised returns since inception[1] (%)
BlueBay Global Credit Fund	7 7
BlueBay Value Recovery Fund	14 1
BlueBay Emerging Market Total Return Fund	14 6
BlueBay Multi-Strategy Fund[2]	8 3
BlueBay Multi-Strategy PLUS Fund[2]	9 4

All Cayman Islands domiciled corporate master-feeder fund structures

1 Returns as at 30 June 2007
2 Less than one year since inception BlueBay Multi-Strategy funds from 1 April 2007

Long/short AuM growth



Source BlueBay Asset Management plc

Long-only Funds

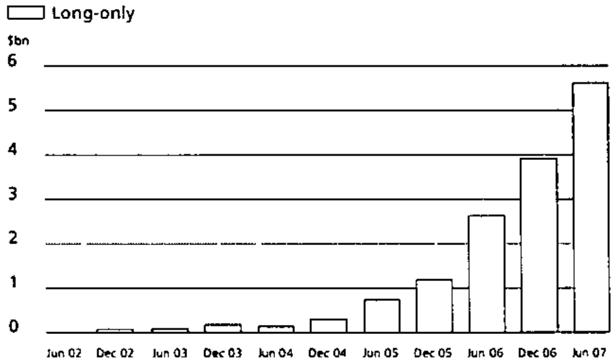
Actively managed products which are designed to produce targeted excess returns versus their benchmarks over the course of the credit cycle

Flagship Products	Annualised alpha since inception[1] (%)
BlueBay Investment Grade Bond Fund	1 5
BlueBay High Yield Bond Fund	3 8
BlueBay Emerging Market Bond Fund	3 8
BlueBay Emerging Market Local Currency Bond Fund	4 9
BlueBay Emerging Market Select Bond Fund[2]	5 2

All sub-funds of the BlueBay Funds umbrella structure – a Luxembourg UCITS fund which may be distributed in EU states under a single passport

1 Excess returns as at 30 June 2007
2 Less than one year since inception BlueBay Emerging Market Select Fund from 30 November 2006

Long-only AuM growth



Source BlueBay Asset Management plc

Structured Products

Developed to provide investors with customised investment solutions not catered for by the Company's flagship long/short or long-only funds These include

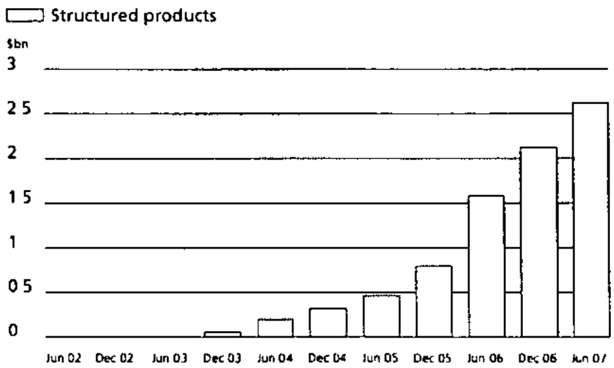
Fund Derivatives
Linked to our flagship fund strategies using principal protection techniques or portable alpha structures

Structured Funds
These funds are issued opportunistically and are designed to utilise BlueBay's existing credit management skills and processes in either the long/short or long-only strategies

Flagship Product	Annualised returns since inception[1] (%)
BlueBay European Credit Opportunity Fund	13 7

1 Returns as at 30 June 2007

Structured products AuM growth



Source BlueBay Asset Management plc

Chairman's Statement

Hans-Jorg Rudloff
Chairman

Prudent risk management combined with robust infrastructure have been essential building blocks of the business.

A year of sustained growth

This is the first Annual Report that BlueBay Asset Management plc ("BlueBay" or the "Company") has issued since its admission to the Official List of the UK Listing Authority ("Listing") in November 2006 Having been the Chairman of the Company since its foundation in 2001, it is particularly gratifying to see the achievement of our long-held ambition of a flotation on the London Stock Exchange just five years after the Company was founded

It gives me great pleasure to report that this has been another year of sustained growth with an increase in Assets under Management ("AuM") of 89% to $13 1 billion, an increase in total fee revenues of 44% to £109 2 million and an increase in after tax profits of 63% to £35 2 million Fully diluted earnings per share increased from 15 8 pence per share in the year to 30 June 2006 to 18 5 pence per share in the financial year to 30 June 2007

We will be proposing a dividend of 6 0 pence per share payable to all shareholders on the register at 26 October 2007 to be paid on 23 November 2007

It is encouraging that the growth has been broadly based across all products Existing funds continued to grow while new funds were launched in each of the products in long/short funds, the BlueBay Multi-Strategy Fund and the BlueBay Multi-Strategy PLUS Fund (BlueBay Multi-Strategy Funds") in long-only funds, the BlueBay Emerging Market Select Bond Fund and in structured products, the BlueBay Emerging Market Opportunity Fund In terms of geographical distribution, Europe continues to be the principal source of assets representing just over two thirds of the assets raised The share represented by Asia and Australia has increased to 19% at the end of the year from 13% a year earlier

Throughout most of the year credit spreads were at historically low levels with low levels of index volatility and little credit differentiation For firms such as BlueBay with its strong credit analysis capabilities and stock-picking skills this was a difficult environment in which to generate outstanding performance Nevertheless, fund performance during the year was solid resulting in a blended return on the long/short products of 10 4% net of fees All of the flagship long-only funds continued to outperform their benchmarks

From its inception in 2001, prudent risk management combined with robust infrastructure have been essential building blocks of the business These have continued to evolve as the business has grown and a number of new initiatives were undertaken during the year to 30 June 2007 In the early part of 2007, we commissioned KPMG to carry out an extensive review of the Company's internal control environment to ensure that it would be able to meet the demanding requirements of the Audit and Assurance Faculty 01/06 ("AAF 01/06') external reporting standards applicable to asset management businesses in the UK

At the time of Listing a number of changes took place on the Board The representatives of our institutional shareholders, Roger Jenkins (Barclays Bank PLC) and Mike Militello (Shinsei Bank, Limited) both resigned We would like to thank them both for their continual support of the Company during the early part of its development We welcomed two new independent non-executive directors, Terence Eccles and Tom Cross Brown as well as Nick Williams and Alex Khein, who joined the Board as executive directors James Brace the Company's General Counsel has been of invaluable assistance to the Board in meeting its legal and regulatory responsibilities as a public company and, in recognition of his contribution, he was appointed Company Secretary from July 2007

Since the end of the financial year, financial markets in general and credit markets in particular have been severely affected by the resurfacing of concerns about sub-prime mortgages in the US, leading to the liquidity crisis which has prompted unprecedented levels of central bank intervention In the short term, this will have an impact on all the participants in the financial markets BlueBay included However through its prudent risk management, BlueBay has avoided exposing the long side of any of its funds to sub-prime mortgages either directly or through derivative structures which repackage debts backed by sub-prime mortgages It should therefore be well placed to weather the current turmoil in the financial markets In the longer term, the Board remains optimistic about the two secular opportunities which led to BlueBay's foundation, namely the creation of a single unified market for European corporate debt following the introduction of the Euro and the growth and maturing of the markets for global emerging market debt

The Company would not have been able to achieve its ambitions without the hard work of its employees To them we owe our thanks for their enthusiasm, commitment and unswerving dedication to achieving the Company s objectives

Chief Executive's Review

Hugh Willis
Chief Executive

Asset growth has been driven and underpinned by solid investment performance – the backbone of any asset management firm

2007 – An important and successful year

2007 was an important and successful year for BlueBay The Group performed well in 2007 with continued growth in AuM (up 89% to $13 1 billion) and profit before tax (up 66% to £51 6 million) Growth was driven by good performance across the Group's funds and products and strong investor demand for its asset management services In November 2006, moreover, the Group realised its long established objective of successfully gaining admission of BlueBay's ordinary shares to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange, and was subsequently admitted to the FTSE 250 index in March 2007

Group strategy

The Group's strategy since its inception in 2001 has been to position itself as a leading institutional asset manager in two particularly fast growing sectors of the global fixed income credit markets European corporate debt and emerging market debt In constructing the optimum business model to achieve this, we have adhered to two key principles

That modern institutional investors have a strong preference for employing asset management firms able to offer both comprehensive infrastructure and strong risk-adjusted fund performance, and that this combination is surprisingly rare, and

That the traditional boundaries between long-only funds and hedge funds are breaking down fast, and that asset management firms seeking scaleable businesses must offer investors a range of absolute return style products spanning both disciplines

2007 has seen continued validation of the Group's focused strategy, with powerful secular growth continuing in its two target markets – European corporate debt and emerging market debt – and the Group winning significantly increased market share across its major sub-asset class range

2007 results

The most obvious manifestation of this has been robust growth in AuM across the Group's funds and products from $7 0 billion in June 2006 to $13 1 billion in June 2007 Growth has been strong across all disciplines, with long/short assets rising 76% to $4 9 billion, long-only assets rising 117% to $5 6 billion and structured product assets rising 65% to $2 6 billion

This asset growth has been driven and underpinned by solid investment performance – the backbone of any asset management firm The Group's five flagship long/short funds returned a blended average 10 4% net of fees, marginally ahead of budgeted performance Its five main long-only funds all beat their indices over the year, by between 1 1 and 6 9 percentage points, with both of its European corporate bond funds and one of its emerging markets funds ranking as the best performing in their sectors since launch A satisfactory year of performance was rounded off with BlueBay receiving the prestigious Global Investor 2007 Emerging Market Debt Award for Investment Excellence

Solid investment performance was accompanied by continued investment in the Group's infrastructure platform – with the firm's achievements in this sphere being marked by it receiving an award for excellence in hedge fund operations – Best Operator in Fixed Income Single Manager – Europe 2007 from Financial News The benefits of the Group's focus on building first class systems, compliance, legal and risk infrastructure are now being felt daily, with institutional investors regularly citing BlueBay's strength in these areas as a key differentiator in manager selection

Despite rapid year on year asset growth and continued infrastructure investment, the Group was successful during the year both in maintaining premium management fee margins and in improving operating margins once more This allowed pre-tax profits and diluted earnings per share to rise to £51 6 million and 18 5 pence respectively Notable improvements in the quality of earnings were also achieved over the year with the proportion of overall management fees deriving from the Group's long-only and structured product funds rising from 25% to 36% and the proportion of total revenues represented by management rather than performance fees rising from 49% to 56%

Listing

The admission of BlueBay's shares to the Official List of the UK Listing Authority in November 2006 was a milestone event for the firm Planned since BlueBay's inception in 2001, the flotation allowed the Group to make available an exit to its original institutional equity backers – Barclays Bank PLC and Shinsei Bank, Limited, to improve further the Group's transparency to the benefit of its fund investors, and to equip itself with a potent currency with which to continue to attract and retain talented people The flotation was successful, with the maximum number of shares allotted

People
Asset management companies are ultimately dependent upon their people and BlueBay's success to date has been a direct function of its ability to attract and retain the very best people in the industry We are required to do this in a highly competitive market place and therefore attach considerable importance to ensuring that BlueBay is a pleasant and rewarding place to work While competitive cash compensation structures and a collegiate working environment are important elements of this programme, at its heart lies the important principle of universal equity ownership 58% of BlueBay's equity was held by its employees at year end, with all of the Group's permanent UK employees given the opportunity to own shares in the firm BlueBay's employees also hold in excess of $100 million of personal investments in BlueBay funds

Our focus on ensuring that BlueBay remains a real community was also behind the decision we took in May to relocate the entire London office to a new building in Grosvenor Street (pictured on the cover of the Annual Report) at the end of this calendar year We selected this option over an alternative that would have involved splitting the London office into two locations, and are confident that the incremental investment involved will show both tangible and intangible benefits over time

Outlook
The first two months of the current financial year (July and August) have been, as already well documented, extremely difficult for credit markets What began as a sub-prime mortgage crisis in the US has spilled over into the broader credit arena and severe losses have been experienced by many market participants This is giving rise to a more challenging credit environment than we have seen for some years and it appears unlikely that the second half of the current calendar year will be an easy one for our industry in general

Against the background of a challenging credit environment, trading at BlueBay has been satisfactory in July and August AuM have risen 7% over the period – from $13 1 billion to $14 0 billion – and the Group has accrued positive performance fee income during the period

Importantly, BlueBay is benefiting in the current environment from the conservative approach it has historically taken to structured credit products which have proven to be a particularly difficult area for managers that have been more aggressive in this space in recent years Specifically, BlueBay has avoided any structured products that are exposed to refinancing risk, the structured investment vehicle ("SIV") market and related SIV-lite structures being prime examples of this We remain an opportunistic issuer of collateralised debt obligations ("CDOs"), with our only issued transaction to date being a 2005 emerging market vehicle whose entire issued note base was upgraded to AAA some time ago and which remains very stable We have not issued any collateralised loan obligations ("CLOs"), primarily due to our views on term leverage at this point in the credit cycle and it also remains the case that none of BlueBay's funds or products has had any direct long-side exposure to the sub-prime mortgage market

Looking to the immediate future, we expect the current difficult credit market conditions to persist in the near future It seems highly likely that major central banks will soon cut rates – maybe significantly – in order to unblock the arteries of credit markets and prevent a short-term liquidity crisis triggering an accelerated recession Our base case is that such action will ultimately be successful and that an early end to the current credit cycle will be avoided The process of restoring order to credit markets is nevertheless likely to take some time, and to involve further pain for market participants who have become overextended in recent times However, this is likely to be a very interesting environment for investors and asset managers whose portfolio liquidity and investment skills equip them to take advantage of forced selling and distressed prices

More generally, we believe that the highly favourable combination of asset class and industry developments that have driven BlueBay's growth over the last six years are set to continue From an asset class perspective, European corporate debt markets remain at a relatively early stage of their development and set for further pronounced secular growth while emerging market debt continues to be embraced by an increasing number of investors worldwide as an important, mainstream asset class From an industry perspective, the growing popularity of specialist managers, absolute return style investment processes and open architecture distribution continue disproportionately to benefit performance-driven brand names such as our own BlueBay remains particularly well positioned, in our view, to continue to benefit from this remarkable confluence of trends

A thank you
I would like to close my remarks by extending my thanks to all the members of BlueBay's staff that have made possible the Group's success to date We will continue to rely upon their skill and dedication for our future success, and we do so with confidence

Business Review

Business Review

Nick Williams
Chief Financial Officer

BlueBay's overall aim is to provide a broad range of credit products that gives the modern investor strong risk-adjusted performance over time

One of the largest independent managers of fixed income credit in Europe

BlueBay – a brief history
BlueBay was founded in London in July 2001 and received authorisation from the FSA in October 2001 The Company was formed by its Chief Executive Officer, Hugh Willis, and its Chief Investment Officer, Mark Poole, with financial support from Barclays Bank PLC and Shinsei Bank, Limited These two institutional investors provided the Company with the bulk of the significant initial capital resources required to create its scalable business platform

BlueBay is now one of the largest independent managers of fixed income credit funds and products in Europe, with a total of $13 1 billion of Assets under Management as at 30 June 2007 BlueBay's ordinary shares were admitted to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange on 22 November 2006

BlueBay was founded in order to capitalise on strong growth trends in the European and emerging market fixed income debt markets The introduction of the Euro in 1999 paved the way for the creation of a unified market for European corporate debt Since the nadir of the Russian debt default in 1998, there has been a dramatic improvement in the scope and quality of the markets for emerging market fixed income debt

BlueBay specialises in two major sub-asset classes of credit – European corporate debt and emerging market debt Within each sub-asset class, BlueBay offers three distinct product lines long/short funds long-only funds and structured products Its long/short funds are designed as low volatility products by industry standards, intended to produce attractive high risk-adjusted returns to investors over the long term Its long-only funds are designed as actively managed products with the objective of producing targeted excess returns over their benchmarks over the course of the credit cycle Its structured products are managed to provide investors with customised investment solutions not catered for by the Company's flagship funds The Company also manages a number of segregated long-only accounts on behalf of large institutional clients BlueBay's overall aim is to provide a broad range of credit products that gives the modern investor strong risk-adjusted performance over time

BlueBay distributes its products directly, through wholesalers and via intermediaries It does so through its sales and marketing teams based in London, Tokyo and New York BlueBay's distribution capabilities are further enhanced by its structured products activities, which allow it to access the investor bases of the major investment banking partners through which the Company typically launches its structured products

Industry environment
Secular credit market opportunities
BlueBay was founded in response to two secular developments in the debt capital markets The first was the advent of a mainstream European corporate debt market, sparked by the introduction of the Euro in 1999 The second was the rapid growth from 1998 onwards of global emerging market debt as a major asset class

The global corporate debt market comprises all publicly traded debt instruments other than those issued by governments and supra-national agencies Within this market, the US corporate debt market is estimated to be the largest single component in terms of value of instruments outstanding, currently estimated at $2 75 trillion (Source Merrill Lynch) The European corporate debt market is estimated to be approximately half this size ($1 4 trillion of instruments outstanding (Source Merrill Lynch)) but has experienced faster growth in recent years, driven by the introduction of the Euro (which facilitated the development of a homogenous debt capital market in Europe), the trend of growing disintermediation of the banking system from the credit process, and an increase in leveraged buyout activity (which has been significantly funded through the debt markets) In addition, strong demand for fixed income instruments from liability-driven investors seeking yield in a low interest rate environment has been an important growth driver Given the comparable size of Gross Domestic Product of the EU and the US, we believe that in the medium to long term, the European corporate debt market will continue to experience strong growth, similar to that witnessed in the US

Emerging markets have historically accounted for only a small part of the global securities markets, with investor demand being dampened by limited issuance and liquidity, insufficient data quality and the significant volatility in the asset class However, following a number of major financial crises during the 1990s (the most significant of which was the Russian default crisis of 1998), volatility in the asset class has steadily reduced, credit quality has improved and diversification has increased across the asset class in terms of the total number of issuing countries and corporations These trends have been sustained by robust domestic economic growth, the general adoption of floating foreign exchange rates and increased foreign exchange reserves, all of which have driven the upward momentum in ratings The resulting growth in the asset class has also been enhanced by the increasing issuance of securities denominated in local currencies

Market performance in 2006-07

As a specialist fixed income credit asset manager, the assets we manage are predominately exposed to the global credit markets With the exception of the initial concerns surrounding the US sub-prime mortgage market which surfaced in the spring of 2007 and then receded until the summer, credit market conditions were relatively benign throughout the financial year High yield and emerging market indices recorded high single-digit/double-digit returns and investment grade indices were also in positive territory

The indices against which we benchmark our flagship long-only funds recorded the following returns during the financial year

Long-only flagship funds index returns	%
iBoxx Euro Corporates Index	2 03%
Merrill Lynch European Currency High Yield Constrained Index	8 03%
JP Morgan EMBI Global Diversified Index	11 40%
JP Morgan GBI-EM Broad Diversified USD Unhedged Index	22 03%
50% JPM GBI-EM Global Diversified Index 50% JPM GBI-EM Broad Diversified USD Unhedged Index *	5 49%

*since inception on 30 November 2006

The benign conditions were supported by

- Continuing steady growth in the global economy, particularly outside the US, and
- A generally accommodative stance taken by the US Federal Reserve throughout the period

Market performance since June 2007

It has been well documented that credit markets have experienced significant disruptions during July and August 2007 Our views on these events are set out in the Chief Executive's review on page 9

Regulatory environment

Existing regulatory relationships

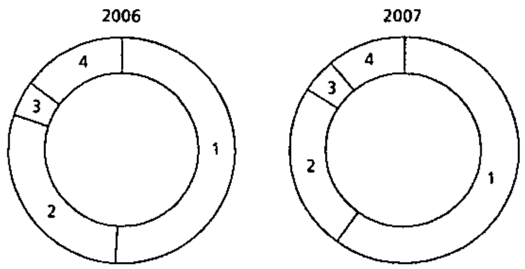
BlueBay Asset Management plc is authorised and regulated by the Financial Services Authority ("FSA") in the UK It also has an EU investment services passport to provide cross-border services into other EEA States It is registered with the US Securities and Exchange Commission ("SEC") in the United States as an investment adviser It is the promoter, investment manager and principal sales agent of BlueBay Funds, a SICAV which is subject to supervision by the Commission de Surveillance du Secteur Financier ("CSSF") in Luxembourg Finally, BlueBay Asset Management plc and its subsidiary, BlueBay Asset Management Japan Limited have both been registered as investment advisers with the Kanto Local Finance Bureau in Japan

Regulatory developments

On 1 January 2007, the EU Capital Requirements Directive ("CRD") came into force in the UK This introduced new rules for the calculation of base capital, fixed overhead, market risk, credit risk and operational risk requirements Firms were given the option to defer certain elements of the new credit risk and operational risk requirements to 1 January 2008, including calculation of operational risk requirement based on an Internal Capital Adequacy Assessment Process ("ICAAP") In conjunction with our external professional advisers, we are carrying out a project to prepare for the new rules effective from 1 January 2008 We expect this will not result in any significant change in our overall regulatory capital requirements

Business Review continued

Figure 1 Investor analysis by investor type (2006-2007)



	2006	2007
1 Institutional	51%	60%
2 Fund of funds	29%	24%
3 Private Client	5%	5%
4 Distribution/White Labelling and other	15%	11%

Source BlueBay Asset Management plc

On 1 November 2007, the Markets in Financial Instruments Directive ("MiFID") will be implemented throughout the EU replacing the current Investment Services Directive ("ISD") In conjunction with our external professional advisers, we have carried out an assessment of the impact of this new directive on our business and a project to prepare for its implementation

During the course of the year, we set up a suite of funds designed for distribution into the USA We anticipate that a number of potential investors into these funds will be "Employee Benefit Plans" subject to Employment Retirement Income Security Act ("ERISA") legislation in the US Where the investors which qualify as "Employee Benefit Plans" represent more than a given proportion of an investment fund's total assets, the fund becomes subject to ERISA legislation and consequently the investment adviser to that fund must meet the requirements of a Qualified Professional Asset Manager ("QPAM") In conjunction with our professional advisers in the US, we have ensured that we meet these QPAM requirements

In August 2006, BlueBay was informed by the FSA that, as part of their general monitoring of the asset management industry, BlueBay would be assigned to a supervision team which will visit the Company at a future date

Strategic objectives and highlights of 2007

We believe we are a leading provider of European and emerging market debt asset management products This has been achieved by combining asset class specialisation with product breadth Recent developments in the asset management industry have favoured the growth of specialised asset managers over the more traditional generalists We believe it is difficult to excel in a wide range of disparate investment disciplines and that focus on a narrower range of asset classes produces superior returns We therefore provide clients with products within the asset class of credit with a range of different risk-return profiles from absolute-return oriented long/short funds to principal-protected long-only fund derivatives

BlueBay's financial objectives are to maximise growth in revenues, profits and earnings per share over time During the course of the financial year, revenues increased 43 8% to £109 2 million, profits before tax increased by 66 2% to £51 6 million and diluted earnings per share increased from 15 8 pence in 2006 to 18 5 pence in 2007

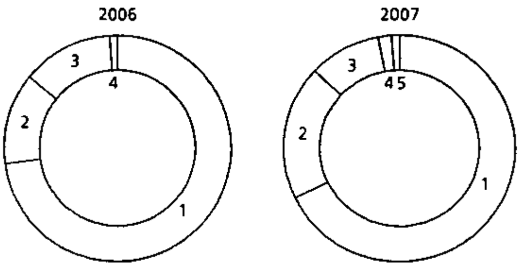
In order to continue to meet these objectives, BlueBay will focus on the following drivers AuM growth (with particular focus on the components of growth and product/asset mix), fund performance, business risk management, fee levels, cost control and earnings quality

Growing AuM

BlueBay intends to grow its AuM through a combination of scaling existing products, launching new flexible and innovative ones and expanding the Group's distribution reach both geographically and by sales channel During the course of the year, total AuM increased by 88 5% to $13 1 billion The growth in the long-only products was the most pronounced, increasing by 116 6% over the year to $5 6 billion Long/short AuM increased by 76 1% to $4 9 billion On 2 April 2007 BlueBay launched its first new long/short funds since 2003, the BlueBay Multi-Strategy Funds and by 30 June 2007, these new funds had attracted $653 million in AuM During the financial year 2007-08, we expect to add a convertible bond investment management capability to our platform starting with a convertible arbitrage compartment in the new BlueBay Multi-Strategy Funds Over the medium to long term, we may consider, subject to investor demand and the identification of suitable personnel, expansion into one or more additional adjacent asset classes

BlueBay's fund investors are primarily institutional clients making up 60% of BlueBay's AuM as at 30 June 2007 (up from 51% as at 30 June 2006) with fund of funds clients making up 24% (down from 29%), private clients remained at 5% and distribution/white labelling and other 11% (down from 15%) (see figure 1) By geographical range Europe accounted for 68% of BlueBay's AuM as at 30 June 2007 (down from 73% as at 30 June 2006), Asia/Australia accounted for 19% (up from 13%) and the US accounted for 10% (down from 13%) (see figure 2)

Figure 2 Investor analysis by geographical region (2006-2007)



	2006	2007
1 Europe	73%	68%
2 Asia/Australia	13%	19%
3 US	13%	10%
4 Middle East/Africa	1%	2%
5 Other	0%	1%

Source BlueBay Asset Management plc

Delivering fund performance

BlueBay maintains a strong focus on fund performance by continuing to pay particular attention to the hiring and retention of top investment professionals, the rigorous management of portfolio risk and prudent strategy capacity management During the course of the year to 30 June 2007, the blended return net of fees on the BlueBay long/short funds was 10 4%, slightly ahead of our budgeted rate of 10% All of our long-only flagship funds generated excess returns over their benchmarks varying from 111 basis points to 687 basis points during the financial year The BlueBay European Credit Opportunity Fund our flagship structured fund produced an annual return of 13 8% over the financial year

Managing business risk

BlueBay maintains a strong focus on risk management The Directors believe that robust risk management, along with good fund performance, will be a key determinant of the Company's success over time The key risks facing BlueBay are described in the Business Risk section on page 19 A more comprehensive review of BlueBay's approach to risk management is included in the Risk Management and Internal Control section on pages 46 to 48

Maximising fee levels

BlueBay seeks to maximise fee levels on its products and believes that this will be a result of both performance and a focus on attractive mandate margins, particularly on its long-only platform BlueBay intends to continue its policy in relation to its long/short funds of charging a 2% annual management fee and a 20% performance fee on all assets raised from unrelated parties Within its long-only business it continues its policy of only discounting for size (subject to satisfactory minimum fee levels) For the year to 30 June 2007 management fee yields on all long-only products were 62 basis points, in line with the 61 basis points recorded for the year to 30 June 2006 BlueBay also seeks to promote the proportion of its funds sold in fund derivative format In relation to stand alone structured products, BlueBay seeks to maximise fees by remaining an opportunistic, rather than a programme, issuer of product During the course of the financial year, BlueBay launched a new structured fund, the BlueBay Emerging Market Opportunity Fund

Controlling costs

BlueBay intends to continue its firm-wide focus on cost control, with the goal of improving operating margins over time to a medium-term target of 50% In order to do this, it will focus on the three main components of its cost base performance-based compensation costs, non-performance based compensation costs and non-compensation costs and will seek to manage the former in relation to performance fees and the latter two in relation to management fees Performance-based compensation costs are those which are linked directly or indirectly to investment performance Due to a combination of the mechanics of the bonus deferral scheme and competitive pressures in the market for top investment professionals, BlueBay expects this will increase over time from the current level of 42 8% of performance fees Non-performance based compensation costs and non-compensation costs are expected to decrease as a percentage of management fees as the business continues to scale

Enhancing earnings quality

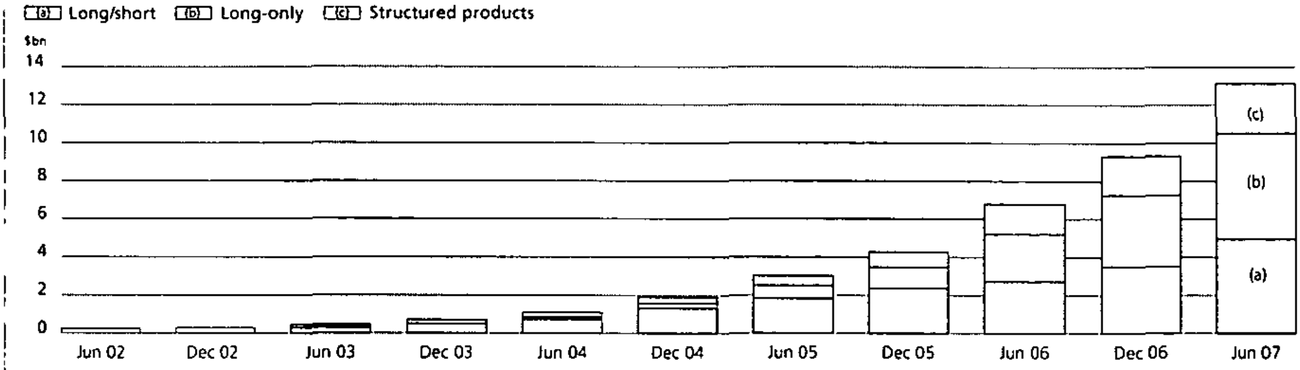
BlueBay intends to further target continued improvement over time in the quality of its earnings We believe that earnings quality is a function of performance fee dependency, performance fee volatility and mandate term BlueBay therefore focuses on the reduction of its performance fee dependency over time (as a function of the intended scaling of its long-only and structured product businesses), continuing to target low volatility, risk-adjusted returns within its long/short fund business and to maximise the proportion of its funds sold in structured format In the financial year 2007, performance fees as a percentage of total fee revenues dropped to 44 2% from 51 1% in the previous financial year At BlueBay performance fees are predominately generated by the long/short funds The volatility of the blended returns on these funds continued to be low at 3 3% leading to a blended Sharpe Ratio of 2 9 By 30 June 2007, the structured products AuM total had increased by 64 8% over the previous year to $2 6 billion

Non-financial business drivers

There are three key non-financial drivers of the business, the growth of the Assets under Management (which includes components of growth and product/asset class mix), fund performance and the effective management of business risk

Business Review continued

Figure 3 AuM growth by product



Source BlueBay Asset Management plc

Assets under Management

AuM growth

During the course of the financial year, AuM increased by $6 1 billion to reach $13 1 billion at 30 June 2007 All products contributed to this increase with long/short increasing by $2 1 billion to $4 9 billion, long-only increasing by $3 0 billion to $5 6 billion, and structured products increasing by $1 0 billion to $2 6 billion (see figure 3)

Components of AuM growth

Of the increase in AuM of $6 1 billion during the financial year 2007 net subscriptions contributed $5 0 billion while net fund performance contributed $1 1 billion The tables below provide the breakdown of net subscriptions into gross subscriptions and gross redemptions Subscriptions and redemptions record the gross movements into and out of the funds managed by BlueBay as recorded by the transfer agents or custodians No adjustments have been made to reflect switches of investments between investment funds managed by BlueBay

AuM growth in BlueBay funds for years ended 30 June as indicated

	2007 $m	2006 $m
Beginning of period AuM	6,959	3,022
Subscriptions	6 429	4 296
Redemptions	(1 353)	(778)
Net subscriptions	5,076	3,518
Net fund performance	1 083	419
End of period AuM	13,118	6 959

a) Long/short Funds

Of the $2 1 billion increase in long/short AuM net subscriptions contributed $1 8 billion and net fund performance $0 3 billion In April 2007, BlueBay launched its first new long/short funds since November 2003 The BlueBay Multi-Strategy Funds, which invest in a number of strategies across the two sub-asset classes, closed the year with net subscriptions of $646 million

AuM growth in long/short funds for years ended 30 June as indicated

	2007 $m	2006 $m
Beginning of period AuM	2,804	1,853
Subscriptions	2 411	1 177
Redemptions	(645)	(499)
Net subscriptions	1,766	678
Net fund performance	368	273
End of period AuM	4 938	2,804

b) Long-only Funds

Of the $3 0 billion increase in long-only AuM, $2 5 billion arises from net subscriptions and $0 5 billion from net fund performance 2007 saw the introduction of two new long-only sub-funds, (the BlueBay Emerging Market Select Bond Fund and the SIM BlueBay Emerging Market Local Currency Bond Fund), and five new segregated mandates

AuM growth in long-only funds for years ended 30 June as indicated

	2007 $m	2006 $m
Beginning of period AuM	2,574	705
Subscriptions	2 939	1 950
Redemptions	(449)	(179)
Net subscriptions	2,490	1,771
Net fund performance	511	98
End of period AuM	5,575	2,574

BlueBay's AuM by product/sub-asset class mix as at 30 June 2007

Product Lines	European Corporate debt $m	Emerging Market debt $m	Subtotals by product line $m	%
Long/short funds				
BlueBay Global Credit Fund	298	–	298	2 3%
BlueBay Value Recovery Fund	2 820	–	2,820	21 5%
BlueBay Emerging Market Total Return Fund	–	1 167	1,167	8 9%
BlueBay Multi-Strategy Funds	400	253	653	5 0%
Total long/short funds	**3,518**	**1,420**	**4 938**	**37 7%**
Long-only funds				
BlueBay Investment Grade Bond Fund	285	–	285	2 2%
BlueBay High Yield Bond Fund	1 246	–	1 246	9 5%
BlueBay Emerging Market Bond Fund	–	1 300	1,300	9 9%
BlueBay Emerging Market Local Currency Bond Fund	–	621	621	4 7%
SIM BlueBay Emerging Market Local Currency Bond Fund	–	610	610	4 7%
BlueBay Emerging Market Select Bond Fund	–	127	127	0 9%
	1 531	**2,658**	**4,189**	**31 9%**
Segregated accounts	1 202	184	1 386	10 6%
Total long-only funds/products	**2 733**	**2,842**	**5,575**	**42 5%**
Structured products				
Fund derivatives linked to long only and long/short funds	885	1 141	2 026	15 4%
Structured funds	429	150	579	4 4%
Total structured products	**1,314**	**1,291**	**2,605**	**19 8%**
Subtotal by sub-asset class	**7,565**	**5,553**	**13,118**	
Sub-asset class share of total	**57 7%**	**42 3%**		**100 0%**

c) Structured products

Of the $1 0 billion increase in structured products AuM, net subscriptions contributed $0 8 billion and net fund performance $0 2 billion 2007 saw the launch of a new structured fund, the BlueBay Emerging Market Opportunity Fund and several new fund derivatives products

AuM growth in structured products for years ended 30 June as indicated

	2007 $m	2006 $m
Beginning of period AuM	**1,581**	**465**
Subscriptions	1 078	1 168
Redemptions	(259)	(99)
Net subscriptions	**819**	**1,069**
Net fund performance	**205**	**47**
End of period AuM	**2,605**	**1,581**

Product and sub-asset class mix

The breakdown of our AuM between European corporate debt products and emerging market debt products is illustrated by the table above

The ratio of the sub-asset class mix for European corporate debt and emerging market debt was 58/42 as at 30 June 2007 compared to 61/39 as at 30 June 2006

Fund performance

a) Long/short funds

For the financial year to 30 June 2007, the annual returns net of fees were 15 8% for the BlueBay Emerging Market Total Return Fund 9 7% for the BlueBay Value Recovery Fund (US$ share class) and 0 4% for the BlueBay Global Credit Fund During their first three months since launch, the BlueBay Multi-Strategy Fund and the BlueBay Multi-Strategy PLUS Fund generated returns net of fees of 2 1% and 2 4% respectively The blended long/short annual return was 10 4% which is slightly ahead of the budgeted return rate of 10 0%

Business Review continued

Fund performance for periods indicated

Product	Fund	Performance (%) Year ended 30 June 2007	Annualised since inception	Annualised volatility since inception	Risk ratios[3]
Long/short[1]	BlueBay Global Credit Fund	**0 4**	**7 7**	**4 0**	**1 2**
	BlueBay Emerging Market Total Return Fund	**15 8**	**14 6**	**6 2**	**1 8**
	BlueBay Value Recovery Fund	**9 7**	**14 1**	**4 2**	**2 5**
	BlueBay Multi-Strategy Fund	**8 3***	**8 3**	**2 6**	**1 1**
	BlueBay Multi-Strategy PLUS Fund	**9 4***	**9 4**	**3 9**	**1 0**
Long-only[2]	BlueBay Investment Grade Bond Fund	3 1	5 1	2 4	2 6
	Index iBoxx Euro Corporates	2 0	3 6	2 4	
	Alpha	**1 1**	**1 5**		
	BlueBay Emerging Market Bond Fund	14 0	16 9	5 8	2 2
	Index JP Morgan EMBI Global Diversified	11 4	13 1	5 9	
	Alpha	**2 6**	**3 8**		
	BlueBay Emerging Market Local Currency Bond Fund	28 9	18 3	8 2	1 6
	Index JP Morgan GBI-EM Broad Diversified USD Unhedged	22 0	13 3	7 0	
	Alpha	**6 9**	**4 9**		
	BlueBay High Yield Bond Fund	9 3	16 7	3 2	1 3
	Index Merrill Lynch European Currency High Yield Constrained	8 0	12 9	4 2	
	Alpha	**1 3**	**3 8**		
	BlueBay Emerging Market Select Bond Fund	14 9**	14 9	4 8	2 1
	Index 50% JPM EMBI Global Diversified and 50% JPM GBI-EM Broad Diversified USD Unhedged	9 7	9 7	3 9	
	Alpha	**5 2**	**5 2**		
Structured Products	BlueBay European Credit Opportunity Fund	**13 8**	**13 7**	**1 9**	**5 6**

Notes
All performance and risk data shown on a net of fees basis (*annualised since inception date 1/4/07)
All performance and risk data shown on a gross of fees basis (**annualised since inception date 30/11/06)
[3] Risk Ratios
Long only — The information ratio measures the added return per unit of added risk
Long/short and structured products — The Sharpe ratio is the risk-adjusted measure which is calculated using standard deviation and excess return to determine reward per unit risk. Standard deviation indicates the volatility of a portfolio s total return as a measure against its mean performance

b) Long-only funds

For the long-only flagship funds the relative returns for the year to 30 June 2007 were all ahead of their benchmarks The relative returns for the year were 111 basis points ahead of the index for the BlueBay Investment Grade Bond Fund, 259 basis points ahead of the index for the BlueBay Emerging Market Bond Fund, 125 basis points ahead of the index for the BlueBay High Yield Bond Fund, 687 basis points ahead of the index for the BlueBay Emerging Market Local Currency Bond Fund and 520 basis points ahead of the index for the BlueBay Emerging Market Select Bond Fund

c) Structured products

Fund Derivatives comprise a large proportion of our structured products platform The returns generated on each of these funds closely mirrors the returns of the related flagship long/short or long-only fund on which each is based The performance of the fund derivatives has therefore been covered in the paragraphs above In our Structured Funds, which makes up the smaller piece of Structured Products, the BlueBay European Credit Opportunity Fund generated an absolute return of 13 8%

Business risk

In common with all other asset management firms, BlueBay faces a number of business risks which are actively managed The principal risk areas which we seek to manage are investment risk, employee risk and operational risk

Investment risk

Poor investment performance in the funds that we manage could result in a reduction in the management and performance fees that we earn and ultimately in a reduction of our AuM This is a fundamental risk to our business which we actively manage by

- Recruitment and retention of highly talented portfolio managers who wholeheartedly embrace our investment approach of generating attractive risk-adjusted returns with an absolute return mentality
- The establishment of an active and robust investment process which combines a top-down approach guided by the Investment Committee with in-depth bottom-up credit analyses performed by asset class specialists to create optimised portfolio construction and investment decisions
- An independent team which provides sophisticated risk analyses to the portfolio managers and the Chief Investment Officer

Employee risk

We are dependent for our success on our ability to attract, retain and motivate the highest quality industry professionals We believe that the three following ingredients are crucial in the management of our employee risk

- **Competitive, performance-based compensation structures** The remuneration of all our investment professionals is highly correlated with fund performance In addition a proportion of bonuses are awarded in the form of shares of funds managed by BlueBay which vest over a three year deferral period We believe this ensures that the interests of employees are closely aligned with those of investors in BlueBay funds
- **Widespread employee share ownership** At the present time employees and Directors of BlueBay have an interest in approximately 58% of its shares Although this percentage is likely to decline over time, we remain committed to ensuring that employees retain a meaningful interest in BlueBay's issued share capital We intend to enable our primary Employee Benefit Trust to purchase shares from the market in order to make future equity awards All permanent UK based employees on the payroll on 31 January 2007 had interests in BlueBay equity
- **A collegiate working environment** BlueBay has established a distinctive, friendly working environment based around a small, centralised management team and an equity-driven incentive culture, such that given our size and specialisation we believe BlueBay has become a blue chip employer of choice for ambitious professionals

Operational risk

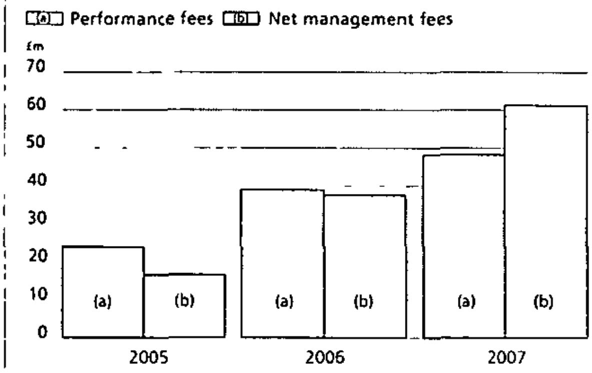
Since the inception of BlueBay, we have taken the approach that in order to manage operational risk effectively, a fast growing business operating in broad and complex markets needs the underpinning of a high quality operational infrastructure We believe the key ingredients to this are

- The recruitment, retention and motivation of high quality infrastructure professionals
- The implementation of a modular IT environment which scales as the business grows in size and complexity
- The continual review and upgrading of internal controls and procedures

For further detail on our approach to risk management refer to the section entitled 'Risk Management and Internal Controls" on pages 46 to 48

Business Review continued

Figure 4 Fee revenue trend



Source BlueBay Asset Management plc

Financial business drivers

Summary of results

During the year, total fee revenues increased 43 8% to £109 2 million Total administrative expenses increased by 25 5% to £58 6 million leading to an increase in operating profit of 66 7% to £50 5 million After exceptional items, finance income and expense and tax, profit increased by 62 7% to £35 2 million

The following table is based on the Income Statement contained in the Financial Accounts section of this report on page 61 The report has been restructured to present the information in a format regularly used by BlueBay's Management Team to assess the financial performance of the Group

Summary Income Statement

	For the year ended 30 June	
	2007 £m	2006 £m
Net management fees	61 0	37 2
Performance fees	48 2	38 8
Total fee income	**109 2**	**76 0**
Other net operating income/expense	(0 1)	1 0
Total operating income	**109 1**	**77 0**
Non-performance based compensation expenses	(22 0)	(16 7)
Performance based compensation expenses	(20 6)	(18 4)
Total compensation expenses	(42 6)	(35 1)
Total non-compensation related expenses	(16 0)	(11 6)
Total administration expenses	**(58 6)**	**(46 7)**
Operating profit before exceptional items	**50 5**	**30 3**
Exceptional items	(1 1)	-
Operating profit after exceptional items	**49 4**	**30 3**
Net financing income	2 2	0 8
Profit on ordinary activities before taxation	**51 6**	**31 1**
Taxation	(16 4)	(9 4)
Profit for the year attributable to ordinary equity shareholders	**35 2**	**21 6**

Key Financial Drivers

The key financial drivers of the business are, the growth in net management fees, performance fees and the management of our operating margins

Growth in net management fees

BlueBay continued to experience strong growth in net management fees during 2007 which increased by £23 8 million or 64 0% to £61 0 million (2006 £37 2 million)

Net management fee income has outstripped performance fee income for the first time, mainly as a result of the continuing strong growth in AuM, particularly in long-only products (see figures 4 and 5) We expect net management fees will continue to represent a growing proportion of total fee income in years to come

Net management fees by product are analysed as indicated

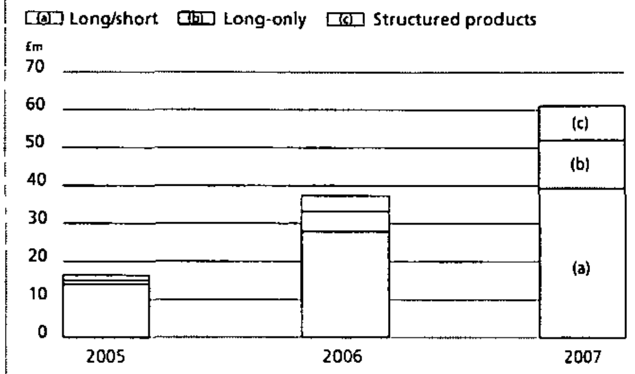
	For the year ended 30 June					
Product	2007 £m	%*	2006 £m	%*	2005 £m	%*
Long/short	39 3	64 4	28 0	75 3	13 9	85 7
Long-only	12 9	21 1	5 1	13 7	0 9	5 4
Structured products	8 8	14 5	4 1	11 0	1 5	8 9
Total net management fees	**61 0**		**37 2**		**16 3**	

*percentage of total net management fees

Over time, the share of total net management fee revenue generated by long-only and structured products has, as indicated by the table above, increased We expect this trend to continue over the coming years

Management fees on long/short products are charged at 2% per annum on all assets attributable to unrelated parties Certain share classes which are only eligible to a defined group of related parties (mainly Directors and employees), do not attract management (or performance) fees The management fee yields on all other long/short products remain at 200 basis points As a result we expect this yield will decline slightly over time as investments by Directors and employees increase

Figure 5 Net management fee trend by product



Source BlueBay Asset Management plc

The management fees charged on long-only and structured products are more varied ranging between 30 and 175 basis points, depending on factors such as sub-asset class, share class and the levels of rebates offered Fee yields on long-only and structured products are closely managed for signs of erosion The average management fee yield on our long-only products is stable at 62 basis points for the year to 30 June 2007 (year to 30 June 2006 61 basis points) The average management fee yield on our structured products for the same period increased to 86 basis points (2006 80 basis points) The improvement is mainly attributable to a change in products and sub-asset class mix

Management fees are reported net of rebate payments on long-only and structured products (which are contractually-agreed fee discounts for large investments) and of expense cap reimbursements (which is where BlueBay reimburses a fund for the excess of its administrative expenses over a pre-determined maximum level) These revenue deductions amounted to £3 6 million or 5 6% of gross management fees (2006 £1 3 million or 3 3%)

Performance fees

Performance fees continue to grow with an increase of £9 4 million or 24 3% to £48 2 million (2006 £38 8 million) Performance fees are charged on all long/short funds, and structured funds Performance fees combined with lower management fees are also offered on long-only funds as an alternative to the more usual management fee only fee structures

Performance fees are generated predominantly by our long/short funds which represented 95% of the overall performance fee revenues in the year to 30 June 2007

Performance fees by product are analysed as indicated

	For the year ended 30 June		
	2007	2006	2005
Product	£m	£m	£m
Long/short	46 0	37 9	23 2
Long-only	0 9	0 7	0 3
Structured products	1 3	0 2	0 0
Total performance fees	**48 2**	**38 8**	**23 5**

BlueBay aims to reduce its dependency on performance fees over time, with performance fees as a percentage of total fee revenues dropping to 44 2% in financial year 2007 from 51 1% in the previous financial year

Operating margins

During the financial year 2007, BlueBay's administrative expenses have increased by £11 9 million or 25 5% with total compensation costs increasing by £7 6 million or 21 6% and non-compensation costs increasing by £4 3 million or 37 3%

Compensation expenses are split between those which are linked directly or indirectly to investment performance (performance-based compensation costs) and those which are not (non-performance based compensation costs) The former are compared to performance fee revenues and the latter to the management fee revenues During the financial year, the ratio of performance based compensation to performance fees improved to 42 8% from 47 3% in the previous financial year This improvement is solely attributable to the expansion of the bonus deferral programme to a wider group of employees Under International Financial Reporting Standard 2 – Share-based payment ("IFRS 2"), the deferred bonuses are charged to the Income Statement over the performance and vesting period rather than in the year in which the performance is generated The maturing of this deferral programme will generate a deterioration of this ratio in years to come Performance-based compensation arrangements are reviewed on an annual basis in light of competitive pressures for talented professionals These reviews could result in changes to the ratio over time

Business Review continued

During the financial year, the ratio of non-performance based compensation to net management fees improved to 36 1% from 45 0% in the previous year This improvement partly reflects the expansion of the bonus deferral programme but also reflects the increasing scale of the business We expect this ratio will continue to improve over time

During the financial year, the ratio of non-compensation costs to net management fees improved to 26 2% from 31 3% in the previous year Within these expenses, the two most significant increases were attributable to an increase in trail commissions paid to distributors and an increase in occupancy costs, in anticipation of the relocation of the London office to new premises at the end of calendar year 2007 We expect this ratio will continue to improve over time with the increasing scale of the business

The Group s operating margin before exceptional items increased to 46 2% (2006 39 9%) Part of this improvement is due to the impact of the deferred bonus programme and part is due to improvements due to the scaling of the business

The process of Listing in November 2006 resulted in one-off expenses for the Group, amounting to £2 2 million In accordance with International Accounting Standard ("IAS") 32 Financial Instruments Disclosure and Presentation and the Companies Act 1985 some of these expenses were charged to the Income Statement (£1 1 million) as an exceptional item while the remaining £1 1 million were written-off against the share premium account

Capital and capital management

Significant movements in shareholders' equity

As part of the preparation for Listing, the Company's share capital was re-organised in order to produce 100 new ordinary shares for each of the pre-existing A, B, C and D shares For further details refer to note 21 of the Financial Statements

The Listing of the Company constituted a disqualification event for the options granted under the Enterprise Management Incentive ("EMI") scheme Those employees who held such options were given the possibility of exercising their options in order to preserve the favourable tax treatment that is granted to such schemes Almost all employees chose to exercise their options which led to an increase in the share capital and share premium

The exercise of these options gave rise to a tax credit based on the difference between the exercise price of each option and the market value of the resulting share at the time of Listing Almost all of the Group's tax charge of £16 4 million was offset by this tax credit, leading to an increase in retained earnings of an equivalent amount

In the Financial Statements prepared for the year ended 30 June 2006, subscriptions for 'D' shares made by certain employees had been classified as liabilities (long term debt – based on cash settled share-based payments) due to the obligation that rested with the Group to repurchase the shares at cost from any employee who was to forfeit his or her shares upon the termination of their employment with the Company in circumstances where they qualified as a ' bad leaver" During the course of the year, the terms of these subscriptions were modified so that any forfeited shares would be repurchased by a self-funded Employee Benefit Trust, without recourse to the Group for funding In the Financial Statements for the year ended 30 June 2007, these liabilities have been reclassified as share capital and share premium

In anticipation of the launch of its Share Incentive Plan ("SIP) in January 2007, BlueBay funded the Plan Trustee to subscribe for shares in the IPO in November 2006 The shares acquired were sufficient to satisfy all of the grants made by the SIP in January 2007 These shares, as well as those shares acquired by the two Employee Benefit Trusts ("EBT') on forfeiture by departing employees, are disclosed as Own Shares and deducted from the Group's shareholders' equity base on consolidation

During the financial year, the Group recognised an after tax profit of £35 2 million and paid dividends of £14 4 million, leading to an increase in retained earnings from £12 5 million at 30 June 2006 to £49 6 million at 30 June 2007

Capital management policy

BlueBay intends to use its capital primarily to support the growth of the business and to provide it with a cushion to shield it from adverse market conditions In order to determine its primary capital requirements, BlueBay uses multi-year financial models to determine the capital requirements of its anticipated growth We also develop a number of potential adverse scenarios in order to determine their effect on various financial measures, including the Group's capital base This enables us to determine the amount of the capital that should be retained in the business for prudential purposes

Once this primary objective has been met, we intend to use available distributable reserves for purposes such as paying dividends to shareholders, funding our equity incentivisation programme and providing seed capital for new funds

It is the intention of the Directors to recommend to the Annual General Meeting the payment of a dividend of 6 0 pence per share to all shareholders on the register as at 26 October 2007 in respect of the year ended 30 June 2007 In future years, the Directors intend to pursue a progressive dividend policy which takes into account the profitability of the business, its capital requirements and an appropriate level of dividend cover Over time, the current high levels of employee share ownership may be reduced as some employees choose to sell shares when their lock-up periods expire BlueBay intends to continue to operate a culture in which equity is widely held by employees In order to enable it to make new awards of equity to existing and future employees without issuing new shares on every such occassion, BlueBay will be commencing a programme to fund its primary Employee Benefit Trust to buy shares in the market

Regulatory capital

On 1 January 2007, the Capital Requirements Directive ("CRD") came into force in the UK for all credit institutions and investment firms regulated by the Financial Services Authority We implemented the calculations for the new base, expenditure and market risk requirements and took up the option to defer the calculation of the new credit risk requirement until 1 January 2008 At 30 June 2007 BlueBay had Tier 1 capital of £41 9 million which provided excess regulatory capital of £20 2 million using the new rules and £17 8 million using the old rules

As noted above, we will be implementing the calculations for the second phase of the implementation of the CRD on 1 January 2008

Cash flow

Our business continues to be cash generative The cash position at 30 June 2007 was £51 5 million, an increase of 104% over the previous year end As the Group Cash Flow Statement shows on page 64 of the Financial Statements, cash generated from operating activities increased by 111% during the year to £56 1 million Corporation tax paid during the year declined from £7 8 million in the year to 30 June 2006 to £5 6 million in the year to 30 June 2007 mainly as a result of the tax credit generated by the exercise of EMI options by employees at the time of Listing

The cash used for investing activities was mainly used for the purchase of units in funds managed by BlueBay for £10 million as required by the bonus deferral programme

The cash used for financing activities was mainly used for the payment of dividends to shareholders of the private company of £14 4 million

Returns to shareholders

Total share return is measured as the change in value of a share plus the value of the dividends paid, assuming that the dividends are reinvested in the Company's shares on the date on which they were paid Since the Company has not yet paid a dividend following Listing, the total share return of +65% reflects only the change in share value since the shares were placed on the Main Market for Listed securities at 300p This compares to a return on the FTSE 250 of +6% for the same period

Business Review continued

Profit distribution

To the extent they are not needed for on-going investment in the business and to provide a prudential capital cushion as described above, BlueBay intends to use its retained earnings as follows

Dividends

As a private company, BlueBay paid out almost all of its distributable reserves to its shareholders The dividends of £14 4 million recognised in the Financial Statements for the year ended 30 June 2007 were all paid out before BlueBay was admitted to the Official List At the time of Listing we said that we intended to distribute between one quarter and one half of net profits by way of dividend and that any final dividend declared for the year to 30 June 2007 would only be in respect of that period of the financial year during which BlueBay had been listed In respect of the results for the year ended 30 June 2007, the Board has recommended a total final dividend of £11 4 million, equivalent to 6 0 pence per share to the Annual General Meeting ("AGM ') which represents approximately 32 4% of the profit after tax generated for the financial year and 38 8% of retained earnings generated since Listing Subject to shareholder approval, the dividend will be paid on 23 November 2007 to shareholders on the register on 26 October 2007, the ex dividend date being 24 October 2007

Other uses

As we explained above, we feel it is essential that share ownership is widely distributed amongst employees and that key professionals retain meaningful interests in BlueBay s equity We intend, therefore, to provide financing to our primary Employee Benefit Trust in order to enable it to purchase BlueBay's shares in the market that can provide the basis for direct and indirect equity awards to employees over the coming years We also believe it is important for the Group to retain the flexibility to provide seed capital to new funds, if necessary

Accounting standards and policies

The Board and Audit Committee review and update, where appropriate, the Group's accounting policies and disclosures The Group's principal accounting policies are detailed in the Financial Statements section on pages 56 to 60 The preparation of the Financial Statements in accordance with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies The areas where a higher degree of judgement or complexity arise or areas where assumptions and estimates are significant are estimating the fair value of share-based payments, the valuation and amortisation of intangible assets, estimating the future liability for bonuses and other employee incentive schemes and the review and provisioning of its surplus premises requirements For further detail refer to page 57 in the Financial Statements section

Board of Directors

Hans-Jorg Rudloff
Non-Executive Chairman[1,2,3]
Hans-Jörg Rudloff, aged 66, was appointed Chairman of the Company on 3 July 2001 Hans-Jorg is also Chairman of the Executive Committee of Barclays Capital He is also Vice Chairman of Novartis, is a Board member of Thyssen-Bornemiza Group and Rosneft OJSC, sits on the Advisory Board of Landeskreditbank Baden-Wurttemberg, and is a member of the Beirat of Energie Baden-Wuttemberg

Terence Eccles
Non-Executive, Senior Independent Director[1,2,3*]
Terence Eccles, aged 61, was appointed non-executive senior independent director of the Company upon the Company's listing on the London Stock Exchange He is currently non-executive director of The Paragon Group of Companies PLC He was formerly Vice Chairman of JPMorgan Cazenove, having previously been Vice Chairman of Investment Banking at JPMorgan Chase, following the merger between Chase Manhattan and JPMorgan He started his career at JPMorgan in 1970 and has worked in JPMorgan's London, New York and Hong Kong offices During his career, he has advised on numerous transactions, specialising in the European financial services industry

Tom Cross Brown
Non-Executive, Independent Director[1,2,3]
Tom Cross Brown, aged 59, was appointed non-executive director of the Company upon the Company's listing on the London Stock Exchange Until 2003, he was Chief Executive Officer of ABN AMRO Asset Management and prior to joining ABN AMRO Asset Management in 1997, he was Chief Executive Officer of Lazard Brothers Asset Management He is currently non-executive Chairman of Pearl Assurance plc, National Provident Life Limited, NPI Limited, London Life Limited and Just Retirement (Holdings) Plc He is also a non-executive director of Pearl Group Limited and of Artemis Alpha Trust plc, and a director of P A T Pensions Limited

Hugh Willis
Chief Executive Officer
Hugh Willis, aged 47, is one of the co-founders of the Company and has been a director and Chief Executive Officer of the Company since inception He spent eight years at JPMorgan, latterly as Co-Head of its European Credit Arbitrage Group He has subsequently held senior positions within the Global Credit Arbitrage Group of Kleinwort Benson and the Fixed Income Management Groups of both Banca della Svizzera Italiana (BSI) and Daiwa Securities Trust and Banking (DSTB), London

Mark Poole
Chief Investment Officer
Mark Poole aged 46, is one of the co-founders of the Company and has been a director and Chief Investment Officer of the Company since inception He spent several years at Credit Suisse First Boston and JPMorgan, latterly as Co-Head of its European Credit Arbitrage Group He has subsequently held senior positions within the Global Credit Arbitrage Group of Kleinwort Benson and the Fixed Income Management Groups of both BSI and DSTB

Nick Williams
Chief Financial Officer
Nick Williams aged 51, was appointed Chief Financial Officer of the Company in October 2001 and an executive director of the Company on 1 November 2006 Prior to this he spent 15 years at Goldman Sachs, latterly as Chief Financial Officer of Goldman Sachs Asset Management (Europe) He previously served as Chief Financial Officer and was a member of the Management Committee of Goldman Sachs & Co Bank, Zurich He qualified as a chartered accountant with Ernst & Young

Alex Khein
Chief Operating Officer
Alex Khein, aged 38, is Chief Operating Officer of the Company with responsibility for Operations, IT Risk and Performance, Treasury and Structured Products and was appointed an executive director of the Company on 1 November 2006 He joined the Company in June 2004 as Head of Structured Products before taking up the role of Chief Operating Officer in October 2005 Previously he spent seven years at Morgan Stanley where he was an executive director within the Securitized Products Group

[1] Member of the Nomination Committee
[2] Member of the Audit Committee
[3] Member of the Remuneration Committee
*Committee Chairman

Hans-Jorg Rudloff
Non-Executive Chairman[1,2,3]

Terence Eccles
Non-Executive, Senior Independent Director[1,3]

Tom Cross Brown
Non-Executive Independent Director[1,2,3]

Hugh Willis
Chief Executive Officer

Mark Poole
Chief Investment Officer

Nick Williams
Chief Financial Officer

Alex Khein
Chief Operating Officer

Directors' Report

The Directors submit their report together with the audited Financial Statements for the year ended 30 June 2007 Directors' responsibilities are set out on page 51

Principal activities and business review

BlueBay Asset Management plc is the parent company of an independent asset management group which provides investment management services to institutions and high net worth individuals The Company was admitted to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange on 22 November 2006 This is BlueBay's first Annual Report as a public limited company

A review of BlueBay's business during the financial year 2007, likely future developments and the information which fulfils the Business Review requirements is contained in the following sections of the Annual Report, which are incorporated into the Directors' report by reference

Chairman's Statement on pages 6 and 7
Chief Executive's Review on pages 8 and 9
Business Review on pages 11 to 24
Principal risks and uncertainties on pages 46 to 48
Corporate Responsibility Report on pages 49 and 50
Disclosure of information to auditors on page 51

Results and dividends

The profit attributable to equity holders for the year ended 30 June 2007 amounted to £35 2 million (2006 £21 6 million)

The Directors recommend a final dividend in respect of the period post Listing of 6 0 pence per ordinary share Subject to shareholder approval at the AGM, the proposed dividend will be paid on 23 November 2007 to shareholders on the register on 26 October 2007, the ex dividend date being 24 October 2007

During the financial year, the Company paid £14 4 million in dividends to shareholders on the register prior to Listing

Annual General Meeting

The Company's AGM will be held at 11 00 am on Wednesday 14 November 2007 at Sofitel St James, 6 Waterloo Place, London SW1Y 4AN

Capital structure

On 1 November 2006, written resolutions of the Company were passed such that in advance of the Company's re-registration as a public limited company in connection with the application for Listing and to trading on the London Stock Exchange, a bonus issue of shares was authorised to be made to the 'A', 'B' and 'D' class shareholders at a ratio of 9 new equivalent shares of 1 pence each for each 'A', 'B' or 'D' share held Further, the nominal value of the 'C' shares was increased from 1 pence each to 10 pence each

On 1 November 2006 written resolutions were passed that the authorised 'A', 'B', 'C' and 'D' shares would at a future date prior to Listing be split into ordinary shares of 0 1 pence each and subsequently consolidated into one class of ordinary shares of 0 1 pence each

On 6 November 2006, amendments were made to the 'D' share Subscription Arrangements As a result, the 'D' shares have been reclassified as equity in accordance with IAS 32

On 17 November 2006, conditional dealings in the ordinary shares (as unlisted securities) of the Company commenced on the London Stock Exchange

On 22 November 2006, immediately prior to Listing the written resolution passed on 1 November 2006 was invoked and each 'A', 'B', 'C' and 'D share was split into ordinary shares of 0 1 pence each and consolidated into one class of ordinary share of 0 1 pence each

On 22 November 2006, Listing became effective and unconditional dealings in the shares of the Company commenced The Company has one class of shares, ordinary voting shares with a nominal value of 0 1 pence each The authorised share capital at the time of Listing was 250,000,000 shares of 0 1 pence each The issued share capital was 190,310,000 ordinary shares of 0 1 pence each No new ordinary shares were issued prior to or at Listing The issued share capital as at 30 June 2007 was 190,372,500 ordinary shares

The Company's shares are held subject to the terms of the Company's Articles of Association There are no restrictions on the holding, transfer and voting of shares which are not contained in the Articles of Association, a copy of which is available to shareholders on request from the Company Secretary

The Company does not anticipate an increase in its authorised share capital except to the extent as required in order to satisfy the exercising of options under the Unapproved Share Option Plan

Own shares
During the year, the number of own shares purchased by employee trusts and share incentive plans was 1,085,275, at a cost of £1 2 million (2006 nil) The Group also disposed of 38,512 shares realising proceeds of £155,000 Own shares are held by employee trusts and share incentive plans for the purposes of satisfying certain equity-based awards where shares have not vested unconditionally to employees of the Group

The Company also holds own shares through its arrangements with a number of employees who have subscribed for shares which have not vested unconditionally Under the terms of each subscription, the shares are held in a nominee account on behalf of each employee until such shares are no longer subject to forefeiture The number of own shares held under such arrangements was 69,587,000 (2006 49,610,000) Appleby Trust (Jersey) Limited has waived its entitlement to receive dividends from the Company in respect of shares held to meet future award requirements under the Company's employee benefit arrangements

Substantial shareholdings
As at 10 September 2007 the following voting interests in the ordinary share capital of the Company, disclosable under the Disclosure and Transparency Rules of the FSA (which replaced Part VI of the Companies Act 1985 with effect from 20 January 2007) had been notified to the Company being that of Pershing Keen Nominees Limited (36 57%), Strand Nominees Limited (21 00%), Shinsei Bank, Limited (5 25%), Lehman Brothers International (4 99%), Janus Capital Management LLC (3 74%) and Artemis Investment Management Ltd (UK) (3 61%) Pershing Keen Nominees Limited hold 36 57% as nominee in relation to certain of the Company's employee benefit schemes and within this holding three employees of the Company, Gina Germano Alberto Francioni and Simon Treacher, each have disclosable interests in 3 15% of the ordinary share capital Interests of the Directors are set out in the Remuneration Report on page 42, and include those shares held by Strand Nominees on behalf of certain executive directors

Details of the Directors' interests in the share capital of the Company and details of Directors share options are set out in the Remuneration Report For further details refer to pages 40 to 45 of the Remuneration Report There have been no changes in the Directors' share interests between 30 June 2007 and the date of this report

Directors
During the year the composition of the Board was re-organised Two new executive directors, Nick Williams and Alex Khein were appointed to the Board on 1 November 2006 On Listing two new non-executive directors, Tom Cross Brown and Terence Eccles were also appointed Prior to Listing, the Board received and accepted resignations from two non-executive directors, Roger Jenkins and Mark Militello Hugh Willis and Mark Poole remain executive directors and have entered into new service agreements and Hans-Jorg Rudloff also remains as Chairman under a new letter of appointment As a consequence of the Combined Code on Corporate Governance and the Articles of Association, Hans-Jörg Rudloff, Terence Eccles, Tom Cross Brown, Hugh Willis, Mark Poole, Nick Williams and Alex Khein will retire at the next Annual General Meeting and, being eligible, offer themselves for re-appointment The Nomination Committee and the Board recommends to the shareholders the re-appointment of all seven directors retiring at the meeting and offering themselves for re-appointment, on the basis that they are all effective Directors of the Company and demonstrate the appropriate level of commitment in their respective roles

The names and biographical details of the Directors of the Company are given on pages 26 and 27 As at 30 June 2007, the Board comprised four executive directors and three non-executive directors (including the Chairman) There have been no changes to the Board since that date

Directors' Report continued

Directors' interests and indemnity arrangements
At no time during the year did any Director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than service contracts between each executive director and the Company and letters of engagement between each non-executive director and the Company

The Company maintains appropriate directors and officers liability insurance and has entered into a deed poll of indemnity in favour of the executive and non-executive directors The Directors also have the benefit of the indemnity provision in the Company's Articles of Association These provisions, which are qualifying third party indemnity provisions as defined by s 309A of the Companies Act 1985, were in force throughout the year and are currently in force Details of Directors' remuneration, service contracts and interests in the shares of the Company are set out in the Remuneration Report

Company Secretary
James Brace, the Company's General Counsel, was appointed as Company Secretary on 13 July 2007 The position was previously held by Nick Williams, executive director and Chief Financial Officer

Auditors
PricewaterhouseCoopers LLP ("PwC") have indicated their willingness to continue in office and a resolution will be proposed at the AGM to reappoint them as auditors of the Company and to authorise the Directors to determine their remuneration for the current year

Employees, political and charitable donations
The Group's policies in relation to employees and details of the Group's charitable donations in the year are included in the Corporate Responsibility Report set out on pages 49 and 50 No political donations or contributions were made or expenditure incurred by the Group during the year (2006 nil)

Credit payment policy
It is the Group's policy to honour all of its contractual commitments and this includes paying suppliers according to agreed payment terms Average creditor days at 30 June 2007 were eight days (2006 13 days)

By Order of the Board

JBrace

James Brace
Company Secretary
24 September 2007

Corporate Governance Report

The Board is accountable to the Company's shareholders for sound corporate governance and is committed to ensuring the integrity of the business, maintaining its ethical values and continuing the high degree of professionalism across the Company The Board considers that during the relevant period it has applied the principles of the Combined Code (2003) on Corporate Governance, apart from as described in the relevant paragraphs below

The Company's ordinary shares were admitted to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange on 22 November 2006 and the Company became a member of the FTSE 250 on 16 March 2007 This is, therefore, the first year in which the Company has been required to apply the Listing Rules of the Financial Services Authority ("FSA") and to include a statement of corporate governance in its Annual Report relating to its compliance with the principles and provisions set out in Section 1 of the Combined Code (2003) on Corporate Governance (the "Code"), on the basis that the Company is a "smaller company" as defined by the Code This statement includes a description of how the Company has applied those principles since 22 November 2006 and whether or not the Company has complied with those provisions throughout the remainder of the financial year

This report covers the period from 22 November to 30 June 2007 Throughout this period the Company has applied the principles of the Code, with the exception of the departures discussed in the relevant sections below The Board is committed to achieving and maintaining the high standards of corporate governance required following Listing

The role of the Board

The Board is responsible to shareholders for creating and delivering sustainable long-term shareholder value through strong leadership, financial performance and the approval of the Company's strategic objectives It is also responsible for ensuring that adequate resources are made available to ensure these objectives are met and for ensuring that management maintains systems of internal control which provide assurance of effective and efficient operations, strong internal financial controls and compliance with applicable law and regulations The Board fulfils its duties to the Company's shareholders either by means of direct intervention or by delegating its responsibilities to Board Committees or to the Management Committee

The composition of the Board

As at 30 June 2007, the Board comprised of four executive directors and three non-executive directors, of whom two are considered independent for the purposes of the Code For its initial phase as a public company, the Board deemed that its composition was appropriate, having regard to the size, nature and stage of development of the Company the integrity of the Chairman and the independent non-executive directors and the experience and skills which they bring to their respective duties The composition of the Board complies with the provisions of the Code in that a smaller company should have at least two independent non-executive directors The Board also considers it appropriate to appoint an additional independent non-executive director during the course of the financial year 2007-08 It is intended that upon appointment the additional independent non-executive director will become a member of the Audit, Remuneration and Nomination Committees

The profiles of the Directors are on pages 26 and 27

The roles of Chairman and Chief Executive are distinct and separate The Chairman, Hans-Jorg Rudloff, has been chairman of the Company since July 2001 and is responsible for leading the Board and ensuring its effectiveness The role of Chief Executive is held by Hugh Willis, one of the co-founders of the Company, who has been a Director and the Chief Executive since its inception in 2001 He is responsible for the executive management of the Company which includes the formulation of the Company's strategy for building shareholder value over the long term

Terence Eccles is the Company's senior independent non-executive director and was appointed to the Board in November 2006 He is available to shareholders if they have concerns which have not or cannot be resolved through normal channels with the Chairman or Chief Executive

The Board considers that Terence Eccles and Tom Cross Brown are independent non-executive directors as none of the factors implying lack of independence, as set out in the Code apply

Where Directors have concerns that cannot be resolved about running the Company, these are recorded in the Board meetings No such concerns were recorded during the period

The Chairman s other significant commitments are described under Board of Directors on page 26 There have been no material changes to such commitments during the period and these commitments are not considered to impact his duties on the Board

Appointment to the Board

Since Listing, no changes have been made to the structure of the Board Nick Williams and Alex Khein were appointed as executive directors on 1 November 2006 At the date of Listing, Terence Eccles and Tom Cross Brown were appointed as independent non-executive directors The changes to the Board which took effect on Listing were approved by the Board before Listing and therefore before the formation of a Nomination Committee The members of the private company Board identified and recommended all the new directors having evaluated the balance of skills, knowledge and experience required of the Directors

Prior to the re-organisation as a result of Listing, the private company Board comprised five members, Hugh Willis and Mark Poole as executive directors, Roger Jenkins and Mark Militello as non-executive directors who were respectively the representative directors for Barclays Bank PLC and Shinsei Bank, Limited, and Hans-Jorg Rudloff as a non-executive director and Chairman of the Board Both Roger Jenkins and Mark Militello resigned from the Board on 1 November 2006 as part of the re-organisation of the Board prior to Listing

The appointments of the non-executive directors are terminable without entitlement to compensation (and without notice, in accordance with the Articles of the Company) although it is envisaged that the appointments will be for an initial term of no more than three years The terms and conditions of each appointment will be made available for inspection at the first AGM to be held on 14 November 2007

Independence

Prior to their appointment potential non-executive directors are subject to a review to assess their independence and to confirm that they have no other relationships that might affect their judgement To avoid potential conflicts of interest, non-executive directors are expected to inform the Chairman before taking up any additional external appointments

Board meetings

The Board held three meetings during the year ended 30 June 2007 The Board is collectively responsible for setting its own agenda At each Board meeting, the Chief Executive provided a review of the business and its performance and the Chief Financial Officer provided a review of the financial position of the Company The range of topics discussed during the period under review included, for example, the strategic development of the Company, the approval and review of new business, regulatory and corporate governance issues along with discussion of the resourcing and administrative issues of the Company, the approval of the change in premises for the London office and the approval of the interim Financial Statements

Attendance at the Board and Board Committee meetings since 22 November 2006 to 30 June 2007 is set out in the table below

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Meetings held	3	0	1	2
Hans-Jörg Rudloff	2	0	1	2
Terence Eccles	2	0	1	2
Tom Cross Brown	2	0	0	1
Hugh Willis*	3	n/a	n/a	n/a
Mark Poole*	3	n/a	n/a	n/a
Nick Williams*	3	n/a	n/a	n/a
Alex Khein*	3	n/a	n/a	n/a

* The executive directors are not members of the Board committees

Any director who was unable to attend a Board meeting received appropriate and timely information in advance of the meeting in order that their views could be taken into consideration The Board considers that it has witnessed a period of transition since Listing and has been able to achieve a reasonable number of Board meetings However, the Board intends to increase the frequency of meetings and expects Directors to attend all meetings, unless there are exceptional circumstances which prevent them from doing so

After the year end, two further Board meetings were held, one in July 2007 and one in September 2007, with two further meetings scheduled before the end of the calendar year 2007

Corporate Governance Report continued

The Company Secretary is responsible to the Board for ensuring Board procedures are followed and compliance with rules and regulations applicable to the Company

Time commitment

The Board considers that the seven month period from 22 November 2006 to 30 June 2007 is an insufficient time scale to assess satisfactory time commitment of its Chairman and independent non-executive directors Please refer to the section on Board effectiveness below for further detail

Information to the Board

To enable the Board to discharge its duties effectively, all Directors receive appropriate and timely information in advance of Board meetings All Directors receive monthly updates on the financial performance of the Group and its Assets under Management All Directors also receive copies of the minutes to principal Committee meetings, copies of proposed press releases for review and comment before publication including the quarterly trading statements and updates to changes in or development to compliance and regulatory matters

All Directors have access to the advice and services of the Company Secretary and may seek independent professional advice, if necessary, at the Companys expense

On appointment to the Board Company marketing literature and financial reports are made available to a new Director

The appointment and removal of the Company Secretary is a matter for the Board as a whole following recommendation of the Nomination Committee

Insurance and indemnification

The Company maintains appropriate directors and officers liability insurance and has entered in to a deed poll of indemnity in favour of the Directors

Chairman's Committee

The Chairman intends to meet exclusively with the non-executive directors of the Company at least once a year The first meeting will take place prior to the first AGM to be held on 14 November 2007

Board effectiveness

The Board considers that seven months is an insufficient time scale to fully assess the effectiveness of the Board, its Committees and the individual Directors The Board anticipates that the formal and rigorous performance evaluation required by the Code to be completed annually, will be undertaken before the end of calendar year 2007 The Board considers that each Director has continued to perform effectively and demonstrated sufficient commitment to their respective roles for the purposes of re-election as a Director at the next AGM

Board Committees

The Board formally delegates certain responsibilities to Committees by way of written terms of reference The three principal Committees are the Audit, Remuneration and Nomination Committees Details of each principal Committee, its membership and terms of reference are summarised below together with details of significant activities undertaken during the year The Directors receive copies of the minutes to all the Committee meetings The Code requires that the Audit Committee members should be independent non-executive directors In order to provide continuity between the pre and post-IPO Board structures, during the period the Chairman has been a member of the Audit Committee In view of the progress made by the Company and in conformity with the Code, the Chairman stood down from the Audit Committee on 14 September 2007

Shareholder relations

During the year, the Chief Executive and Chief Financial Officer met and made presentations to institutional investors, analysts and prospective shareholders Feedback from these meetings was given to the Board The senior independent non-executive director is also available to meet institutional shareholders if requested

The first AGM since Listing is due to be held on 14 November 2007 and the Board and the Chairman of each of the principal Committees welcome the opportunity to answer questions put forward to them by shareholders of the Company The Annual Report and Accounts and the notice of the AGM will be sent to shareholders at least 20 working days prior to the date of the meeting

The Company maintains a corporate website www bluebayinvest com which contains a wide range of information on the Company, including press releases and published financial information and also details on the net asset values of the funds it manages

Re-election

The Board confirms that the Directors subject to re-election in the next financial year, namely Hans-Jörg Rudloff, Terence Eccles, Tom Cross Brown, Hugh Willis, Mark Poole, Nick Williams and Alex Khein, continue to perform effectively and demonstrate commitment to their respective roles

Going concern

The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the Financial Statements

Internal control

The Board has overall responsibility for the Company's systems of internal control and risk management Please refer to the Risk Management and Internal Control report on pages 46 to 48 for further detail

Whistle-blowing measures

In accordance with the FSA rules the Company has had a whistle-blowing policy in place for a number of years This enables staff to raise concerns about possible improprieties relating to the Company's operations The Code requires the Audit Committee to review the adequacy of the Company's whistle-blowing arrangements This review was conducted after the financial year, on 14 September 2007, when the Committee found the arrangements to be satisfactory

Regulation

The Company is authorised and regulated in the United Kingdom by the FSA The Company is registered as an investment adviser with the US Securities and Exchange Commission and with the Kanto Local Finance Bureau (Financial Services Agency) in Japan

The Company also provides financial services (but does not have a physical presence) in various EU states but as these services are provided on a cross-border basis and the Company does not have a physical presence in an EU state other than the UK, it is only subject to the rules of these various EU states to a limited degree having obtained the appropriate European investment services "passport" This passport derives from the pan-European regime established by the Investment Services Directive ("ISD") which regulates the provision of investment services throughout the EEA The ISD is due to be replaced by a new Directive, the Markets in Financial Instruments Directive which will come into force in the UK on 1 November 2007

The Company is the Promoter, Investment Manager and Principal Sales Agent of the BlueBay Funds and is subject to supervision by the Commission de Surveillance du Secteur Financier in Luxembourg

The Board is committed to achieving and maintaining the high standards of corporate governance required following Listing

By Order of the Board

JBrace

James Brace
Company Secretary
24 September 2007

Nomination Committee Report

This Nomination Committee Report sets out the role of the Nomination Committee, its membership and what it considered during the year This is the first Annual Report of the Committee since Listing on 22 November 2006

Role of the Committee
The purpose of the Nomination Committee is to consider, and make recommendations to the Board concerning its composition, proposed appointees and whether any vacancies that may arise should be filled

The principal duties of the Nomination Committee include the following

- to review regularly the structure, size and composition of the Board (including the skills, knowledge and experience) and make recommendations to the Board with regard to any changes,
- to identify, nominate and recommend for the approval of the Board, appropriate candidates to fill Board vacancies as and when they arise,
- to evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment,
- to satisfy itself with regard to succession planning that processes and plans are in place with regard to both Board and senior management appointments,
- to review annually the time required to fulfil the role of Chairman, senior independent director and each non-executive director and use performance evaluation to assess whether each non-executive director has devoted sufficient time to their duties,
- to recommend the re-election (or not) by shareholders of any director under the retirement and re-election provisions in the Company's Articles of Association
- to make a statement in the Annual Report about its activities and the process used for appointments and explain if external advice or open advertising has not been used,
- to make available its terms of reference upon request and display them on the Company's website, and
- to ensure that on appointment to the Board, non-executive directors receive formal written terms of appointment

Composition of the Committee
The Nomination Committee was formed on Listing and as at 30 June 2007 comprises non-executive directors Terence Eccles (Chairman), Hans-Jorg Rudloff and Tom Cross Brown

Meetings
The Committee was not required to meet formally during the period 22 November 2006 to 30 June 2007 Meetings were conducted after the period on 13 July and 14 September 2007

When required, the Committee will receive information from senior management and external sources as necessary to enable it to carry out its duties and responsibilities effectively

Audit Committee Report

This Audit Committee Report sets out the role of the Audit Committee, its membership and what it considered during the year This is the first Annual Report of the Committee since Listing on 22 November 2006.

Role of the Committee

The Board has delegated to the Committee responsibility for overseeing the financial reporting and internal control of the Group and for maintaining an appropriate relationship with the Group's auditors The main role of the Committee is to encourage and safeguard the highest standards of financial reporting integrity, risk management and internal control In doing this the principal responsibilities of the Committee include

- reviewing the form, content and integrity of the Group and Company's Financial Statements,
- monitoring and reviewing the effectiveness of the external and internal audit functions,
- recommending to the Board the appointment, reappointment or removal of the external auditors
- reviewing the adequacy and effectiveness of the Group s internal controls and risk management systems, and
- reviewing and monitoring the Group's ethical standards, procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities

The terms of reference of the Committee (as updated from time to time) are available on our website at www bluebayinvest com and from the Company Secretary at the registered office

Composition of the Committee

The Audit Committee was formed on Listing and as at 30 June 2007, comprised the independent non-executive directors Tom Cross Brown (Chairman) and Terence Eccles, together with Hans-Jörg Rudloff

Tom Cross Brown is considered by the Board to have recent and relevant financial experience

Hans-Jörg Rudloff ceased to be a member of the Audit Committee on 14 September 2007

Report on the Committee's activities

Meetings

For meetings and attendance refer to the table on page 33 of the Corporate Governance report Two meetings were held after the year end one in July 2007 and one in September 2007 at which all members were present

To assist the Committee in fulfilling its role, the following senior executives and functional heads were invited to attend the above Committee meetings Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Compliance Officer and the General Counsel The Company's external auditors, PwC, were also represented at the above meetings and presented reports on their activities

It is proposed that during the year commencing 1 July 2007, the Committee shall meet separately on no less than two occasions with the Group's external auditors and with the Group's outsourced internal audit function service providers, with no executive management present This will provide an opportunity for the external and internal auditors to raise matters of concern in confidence

The Committee has a formal programme of issues which it covers during the year This programme is formulated by the Committee Chairman and the Company Secretary and is designed to ensure that all matters that fall within the Committee s remit are reviewed at the appropriate time

The principal issues considered during 2007 were

- the interim and annual Financial Statements for 2007,
- the external audit plan for 2007,
- the Group's internal audit plans for 2007 and 2008,
- the Group's risk management process, including key risks facing the Group,
- the appropriateness of the accounting policies used in drawing up the Group's Financial Statements
- the external auditors' year-end report, and
- the performance, independence and objectivity of the external auditors, including a review of non-audit fees

Other issues

As well as the agreed schedule of issues the Committee also received reports and presentations on various subjects connected principally with the control environment in the Group These included presentations on the Group's compliance with applicable regulations and developments thereto during the period The Committee also intends to consider, the implications for the Group of the implementation of the Markets in Financial Instruments Directive and Capital Requirements Directive

The Board confirms that the ongoing process for identifying, evaluating and managing significant risks has been in place for the period under review and up to the date of approval of the Annual Report and that this process accords with the Guidance on Internal Control (the "Turnbull Guidance") published in September 1999 and revised in October 2005

The Board also acknowledges that the system of internal control is designed to provide reasonable but not absolute assurance against material misstatement or loss

The Code requires the Board to conduct an annual review of the effectiveness of the system of internal controls covering all material controls The initial phase of the Board's review was completed on 14 September 2007, with the remainder to be completed before the end of calendar year 2007, being in addition to the Board's regular review of the ongoing process of identifying, evaluating and managing risks Where necessary, the Board confirms that action has been taken to remedy any significant failings or weaknesses identified from its review of the effectiveness of the internal control system The Board notes that there are no significant problems disclosed in this Annual Report

Non-audit services and auditor independence

The Committee is formulating a policy covering the provision of non-audit services to the Group by the external auditors This policy will be finalised for adoption by the Committee before the end of calendar year 2007 and thereby enhance further the governance around the provision of such services and provide a clear and transparent framework to ensure the objectivity and independence of the external auditors Under the proposed policy the provision of any service which might lead to a conflict of interests will not be permitted unless other possible providers are themselves conflicted In such exceptional cases the Audit Committee must approve each service and approval will only be given where the Committee is satisfied that appropriate measures are in place to manage or mitigate any potential conflict of interest There were no such occurrences in 2007

The policy also includes rules in relation to the approval of contracts for non-audit services which do not present a possible conflict of interest The external auditors are also required to confirm annually that their firm, partners and staff are independent of the Group

In 2007 the value of non-audit services provided by PwC to Group companies was £0 8 million

The Committee also considered the reappointment of PwC as auditors, taking into account the results of the auditor assessment process, the quality of work undertaken and the level of audit fees The Committee concluded that it was appropriate to recommend the reappointment of the auditors and that this recommendation be put to shareholders at the next AGM

The Committee is satisfied that the external auditors remain independent

Committee evaluation

The Board considers that seven months is an insufficient time scale to fully assess the Audit Committee's effectiveness A full performance evaluation will take place before the end of the 2007 calendar year

Support to the Committee

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively

The Committee has access to external independent advice at the Group's expense

Remuneration Report

This remuneration report sets out the Company's overall remuneration policy and gives details of the compensation arrangements for executive and non-executive directors for the period from 22 November 2006 (following Listing) to 30 June 2007 It also sets out the membership of the Remuneration Committee ("the Committee") and its role and remit The report has been prepared on behalf of the Board and will be put to an advisory vote of the Company's shareholders at the AGM to be held on 14 November 2007

Role of Committee
The role of the Committee is to review and approve the remuneration strategy and policies of the Company It is responsible for setting the remuneration of all executive directors and for determining the level and structure of remuneration for senior employees

Composition of the Committee
The Committee was formed on Listing and as at 30 June 2007, comprised two independent non-executive directors Terence Eccles (Chairman) and Tom Cross Brown Hans-Jörg Rudloff is also a member No changes were made to membership of the Committee for the period of this report Members of the Group's Management Committee may attend the meetings by invitation The Code recommends the Remuneration Committee should comprise at least three members who should all be independent non-executive directors This recommendation is amended in the Combined Code (2006) which allows the Chairman of the Board to be a member of, but not to chair, the Committee if he or she was considered independent on appointment as Chairman The Committee accepts that, as the Chairman of the Board is a member of the Committee, currently it does not comply with the Code for this initial short reporting period The Committee will be compliant for the next reporting period when the Combined Code (2006) comes into force

During the course of the year, Herbert Smith LLP assisted the Committee in the design and documentation of the various compensation schemes that it has adopted Herbert Smith LLP was appointed by the Company and acted as legal advisors to the Company in regards to the English and US law for the initial public offering transaction The Company has also retained Herbert Smith LLP for general legal advice

For the current compensation year, the Committee is considering retaining the services of a specialist compensation consultant to provide advice on the design and structure of future equity incentivisation plans, taking into account both the competitive environment for high calibre employees and market expectations

Meetings
During the period following Listing up until the end of the financial year the Committee met on two occasions

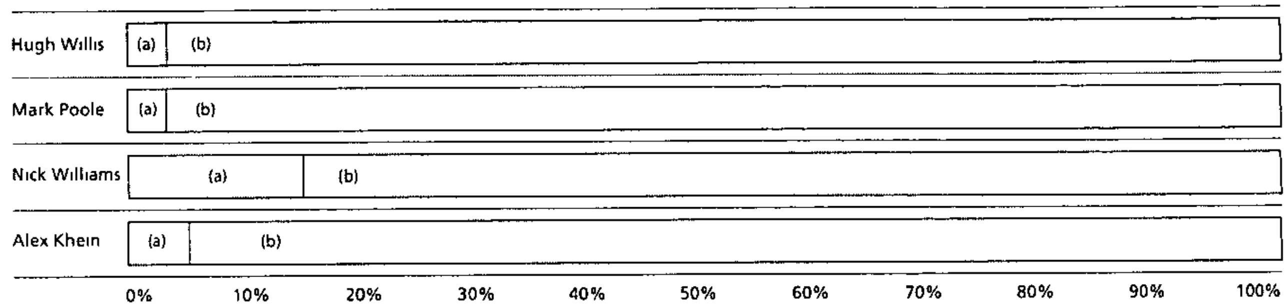
Remuneration policy
The Committee recognises that the Group's key assets are its employees In order to attract, motivate and retain the very best employees in a highly competitive market, it is essential for the Committee to develop an appropriately tailored remuneration strategy which is linked to the attainment of a combination of individual, team and corporate goals The Committee has adopted the following principles in designing the Group's remuneration strategy The Committee aims to provide a high proportion of total compensation in the form of variable compensation in either cash or deferred bonuses It does not believe it is appropriate to establish any maximum percentage of salary payable by way of bonus The Committee seeks to limit the growth in fixed compensation by operating a salary cap of £100,000 per annum which applies to almost all employees and was extended on a voluntary basis to all the executive directors at the time of Listing Furthermore limited benefits schemes are made available to employees on a fully contributory basis only In order to align the interests of employees and shareholders, the Committee has adopted a goal of universal employee share ownership

Key developments in financial year
During the course of the financial year, two new incentivistaion schemes were implemented and an existing scheme expanded to a wider group of employees

A Share Incentive Plan ("SIP") which is approved by Her Majesty's Revenue and Customs ("HMRC"), which is open to all employees including executive directors The Plan comprises free shares, partnership shares and matching shares Free shares were offered to all permanent UK employees as of 31 January 2007 Any of

Figure 6 Remuneration graph

(a) Salary* (b) Bonus**



* salary represents current full year salary for comparative purposes

** bonus represents management pool bonus discretionary allocation for calendar year 2006

Source BlueBay Asset Management plc

these employees could also purchase partnership shares and for those that did, the Company offered them further matching shares in a ratio of two matching shares for every partnership share purchased Please refer to the SIP in the audited section of this report for further information

A scheme for the award of either Restricted Shares or Share Options, which is open to all employees excluding executive directors Shares awarded to employees under this scheme will be purchased from the market and will not result in the issue of any new shares

For the 2005 annual compensation round, the BlueBay bonus deferral programme was implemented for the first time for a small number of employees For the 2006 compensation round, the Committee expanded the bonus deferral programme to a wider group of employees including all executive directors Under this programme, approximately one third of each bonus in excess of a given threshold is awarded on a deferred basis and invested in shares of funds managed by the Company The shares vest over a three year period

Please refer to sections (e) and (t) of the significant accounting policies on pages 57 and 59 for further details on the accounting treatment of these compensation schemes

Service contracts

The executive directors entered into new service agreements with the Company with effect from the date of Listing The service agreements do not have a fixed term but provide for termination on the expiry of not less than nine months' notice by either party to the agreement The service agreements contain no contractual entitlement for the executive directors to be paid any fixed amount of bonus or any fixed provision for termination compensation

During the year to 30 June 2007, Hugh Willis and Nick Williams held directorships in several of the funds with which the Company has investment management agreements and for which the right to remuneration was waived

Non-executive directors are appointed by the Board At the date of Listing, Hans-Jorg Rudloff, Terence Eccles and Tom Cross Brown entered in to new letters of appointment with the Company The appointments of the non-executive directors are terminable without entitlement to compensation (and without notice in accordance with the Articles of the Company) although it is envisaged that the appointments will be for an initial term of no more than three years The terms and conditions of each appointment will be made available at the AGM to be held on 14 November 2007

Elements of the compensation package

Salaries and fees

In the period leading up to Listing, Hugh Willis and Mark Poole were each paid a salary of £260,000 per annum During the same period, Nick Williams and Alex Khein were each paid a salary of £120,000 per annum Following the Listing, all four executive directors agreed to a voluntary reduction of their annual salaries to a standard £100,000 per annum (see figure 6)

Fees for the Chairman are set at £75,000 per annum and £50,000 per annum for the remaining non-executive directors

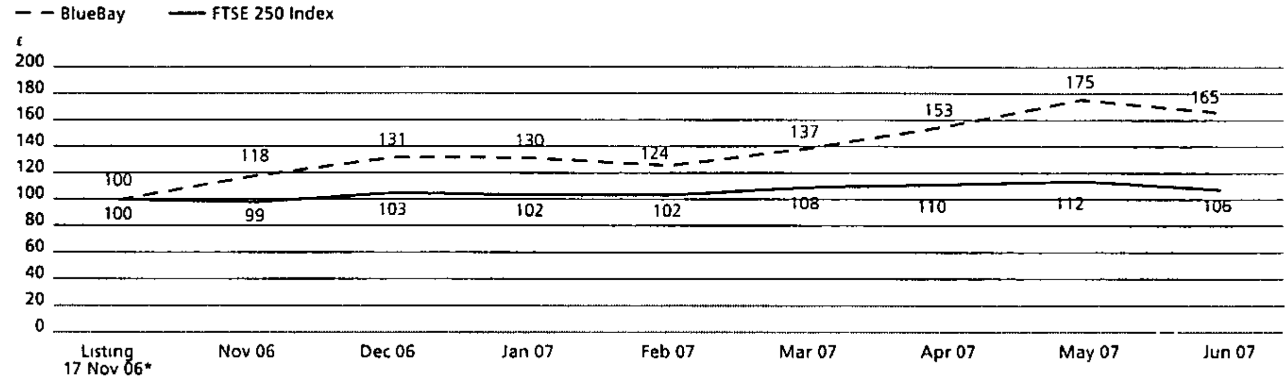
Discretionary bonuses

In common with most of the financial services industry, the Company operates an annual compensation cycle which broadly coincides with the calendar year, where all bonuses are accrued and paid on a calendar year basis The bonus pool available for payment to the executive directors is wholly dependent on the profitability of the Company and has the potential to be a significant element of their total compensation All executive directors participate in a management bonus pool which is determined as a percentage of pre-tax profits before deduction of the management pool

The allocation of the pool amongst the participants is determined by the Committee All executive directors participated in the 2006 bonus deferral programme described above and therefore two thirds of their bonus entitlements were paid in the form of cash bonuses and the remaining third was deferred and invested in shares of one of the long/short funds managed by the Company The shares vest over a three year period whereby the executive director can choose to have the shares vest at the end of the three year period (referred to as the bullet plan) or have the shares vest evenly over the three year vesting period (referred to as the amortising plan) Vesting is not conditional on meeting pre-set performance criteria

Remuneration Report continued

Figure 7 Shareholder return



*commencement of conditional trading Source FTSE 250

Benefits

The executive directors are not entitled to any benefits and they do not participate in the Company's pension arrangements The Company operates a defined contribution pension scheme to which the Company does not contribute

Share incentive plan

The executive directors were eligible to participate in the SIP that was offered to all permanent UK-based employees in January 2007 Both Nick Williams and Alex Khein participated in the plan They each purchased partnership shares up to the maximum allowed by the SIP and were awarded matching shares and free shares Both Hugh Willis and Mark Poole waived their entitlements under the Plan

Stock and option awards

Except for the SIP described above, no new stock or option awards were made to any of the executive directors during the course of the financial year

Prior to this financial year, certain options were granted to executive directors and senior management as Enterprise Management Incentive options ("EMI options") under the provisions of sections 527 – 541 of and schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 ('EMI options') Any options that are not EMI options are 'Unapproved Options" The EMI options and Unapproved Options were granted on the terms that, in connection with an IPO, these options could be exercised regardless of the vesting schedule All EMI options in relation to the executive directors at the time of listing were exercised on Listing Un-exercised Unapproved Options vest as follows 25% on or after each 30 January 2007, 30 January 2008, 30 January 2009 and 30 January 2010 The Unapproved Options in relation to executive directors will lapse to the extent they are not exercised by the tenth anniversary of the date of grant, being 26 April 2016 Vesting is not conditional on meeting any pre-set performance criteria

Performance graph

The performance graph (figure 7) compares the Company's total shareholder return performance against the FTSE 250 Index The FTSE 250 comprises the 250 medium sized quoted companies by market capitalisation not covered by the FTSE 100 It has been chosen because it is a widely recognised performance comparison for medium sized UK companies

Figure 7 shows the growth in value of a hypothetical £100 invested in the Company's ordinary shares on 17 November 2006[5], compared with the FTSE 250 Index for the same period

Directors' interests in ordinary shares

	30 June 2007 Ordinary shares	30 June 2006[a] Ordinary shares
Beneficial interests		
Executive directors[c]		
Hugh Willis[d]	23,380 000	32 480 000
Mark Poole[d]	23,380 000	32 480 000
Nick Williams	3,001 861	2 100 000
Alex Khein	6,001,861	6 000 000
Non-executive directors		
Hans-Jörg Rudloff[b]	286 667	–
Terence Eccles	16,000	–
Tom Cross Brown	33 333	–

Notes

a As at 1 July 2006 or date of appointment if later Information represents holdings restated to reflect the issue of bonus shares and the share capital re-organisation in connection with Listing

b Hans-Jörg Rudloff has an economic interest in 1 000 000 ordinary shares (previously classified as D Shares) which has not been included in the above information

c In addition to the above each of the executive directors is deemed to have an interest in all shares held by the BlueBay Asset Management plc Employee Benefit Trust as potential beneficiaries of the trust.

d 20 000 000 of the ordinary shares in which each of Hugh Willis and Mark Poole are interested are held by Strand Nominees Limited

The market price of the Company's shares at the end of the financial year was 495 0 pence The highest and lowest daily closing share price during the period of this report following conditional trading was 568 25 pence and 315 0 pence respectively

There have been no changes to the Directors' interests in ordinary shares between 30 June 2007 and the date of this report

[5] Represents the date that BlueBay commenced conditional trading on the main market of the London Stock Exchange Unconditional trading commenced on 22 November 2006

Audited section of Remuneration Report

Directors' emoluments

The emoluments (not including deferred fund awards and deferred share awards on pages 43 to 45) of the Directors of the Group in respect of the period for which they were in office in the relevant year comprised

£'000	Salary/ fees	Annual cash bonus[a]	2007 Total	2006 Total
Executive directors				
Hugh Willis	167	1 992	**2,159**	1 510
Mark Poole	167	1 992	**2 159**	1 510
Nick Williams[b]	68	382	**450**	–
Alex Khein[b]	68	1 091	**1,159**	–
Non-executive directors				
Hans-Jörg Rudloff[c]	46	–	**46**	–
Terence Eccles[d]	30	–	**30**	–
Tom Cross Brown[d]	30	–	**30**	–
Former directors				
Roger Jenkins[e]	–	–	–	–
Mark Militello[e]	–	–	–	–
Total 30 June 2007	**576**	**5,457**	**6,033**	
Total 30 June 2006	520	2 500		3 020

Notes

a Balances represent cash bonuses paid in financial year 2007 in relation to calendar year 2006
Bonuses in relation to executive directors which have been accrued in the Financial Statements but not paid for the period 1 January 2007 to 30 June 2007 (a description of which is given on page 41) amounted to £4 019 000 of which £1 340,000 has been deferred as per the bonus deferral programme The percentage allocation of the bonus pool to each executive director will be determined by the Remuneration Committee at the end of calendar year 2007

b Nick Williams and Alex Khein were appointed to the Board as executive directors with effect from 1 November 2006

c Hans-Jörg Rudloff was not remunerated prior to Listing Remuneration commenced with effect from 22 November 2006

d Terence Eccles and Tom Cross Brown were appointed to the Board as non-executive directors with effect from 22 November 2006

e Roger Jenkins and Mark Militello respectively the representative directors for Barclays Bank PLC and Shinsei Bank, Limited resigned from the Board with effect from 1 November 2006

No cash benefits, benefits in kind or termination payments were made in respect of the period each Director was in office in the relevant period

Deferred compensation schemes

Directors' rights to fund awards

The executive directors had the following rights to deferred cash awards under the deferred compensation scheme

Shares	Rights held as at 1 July 2006	Rights granted during the year[a]	Rights held as at 30 June 2007	Rights granted as at 10 Sept 2007	Vesting date
Executive directors					
Hugh Willis	–	–	–	–	31 Jan 2008
	–	–	–	–	31 Jan 2009
	–	18 679	18 679	–	31 Jan 2010
Mark Poole	–	–	–	–	31 Jan 2008
	–	–	–	–	31 Jan 2009
	–	18 679	18,679	–	31 Jan 2010
Nick Williams[b]	–	1,194	1,194	–	31 Jan 2008
	–	1,194	1,194	–	31 Jan 2009
	–	1,194	1 194	–	31 Jan 2010
Alex Khein	–	–	–	–	31 Jan 2008
	–	–	–	–	31 Jan 2009
	–	10 235	10 235	–	31 Jan 2010

Notes

a All fund awards were invested in the same BlueBay managed fund The shares were purchased at $100 00 per share

b Nick Williams has opted for the amortising plan whereby the shares vest evenly over three years rather than at the end of the three year vesting period

Fund awards are investments in a range of BlueBay investment funds and as such provide the executive directors with a personal interest in the performance of the funds managed by the Group Fund awards are rights to deferred fund shares and do not give rise to any immediate entitlement on grant The "rights granted during the year" refer to awards made in respect of the 2006 calendar year These rights are subject to forfeiture and the deferred fund share awards are not accessible for a minimum of 12 months from allocation The right to the award on vesting is not conditional on achieving any pre-set performance criteria

The bonus deferral programme is only available to employees of the Group and is therefore not available to the non-executive directors

Audited section of Remuneration Report continued

The executive directors' rights to shares under option

				Number of shares							
	Scheme	Date of grant	Held at 1 July 2006	Rights granted during year	Rights exercised during year	Held at 30 June 2007	Rights granted 10 Sept 2007	Option price of outstanding rights	Earliest exercise date	Latest exercise date	Exercise date
Executive directors											
Hugh Willis[a]	EMI	21 12 05	900 000	–	900,000	–	–	–	–	–	21 11 06
Mark Poole[a]	EMI	21 12 05	900 000	–	900 000	–	–	–	–	–	21 11 06
Nick Williams[b,c]	EMI	21 12 05	900,000	–	900 000	–	–	–	–	–	21 11 06
	UAO	27 04 06	1 000 000	–	–	1 000 000	–	22 26p	30 01 07	26 4 16	
Alex Khein	–		–	–	–	–	–				

Notes

a Hugh Willis and Mark Poole exercised all of their EMI options on 21 November 2006 at an exercise price of 28 53 pence The market price on the date the rights were exercised was 331 50 pence giving a gain of £2 726 730 to Hugh Willis and a gain of £2 726 730 to Mark Poole The exercised options are subject to forfeiture provisions

b Nick Williams exercised all of his EMI options on 21 November 2006 at an exercise price of 15 41 pence The market price on the date the rights were exercised was 331 50 pence giving a gain of £2 844 810 The exercised options are subject to forfeiture provisions

c Nick Williams EMI and Unapproved Options were granted prior to his appointment to the Board

Directors' rights to shares under option

These rights to shares do not give rise to any immediate entitlement on grant and are subject to forfeiture provisions All options were granted before Listing and as such the right to exercise the EMI and Unapproved ("UAO") options are not conditional on achieving pre-set performance criteria The exercised EMI options vest unconditionally as follows 25% on or after each of 22 November 2007, 22 November 2008, 22 November 2009 and 22 November 2010 No additional options were granted to executive directors after 30 June 2007 to the date of this report

Un-exercised unapproved options vest as follows 25% on or after each 30 January 2007, 30 January 2008, 30 January 2009 and 30 January 2010 The unapproved options in relation to executive directors will lapse to the extent they are not exercised by the day before the tenth anniversary of the date of grant, being 26 April 2016

The market price of ordinary shares at 30 June 2007 was 495 00 pence On 17 November 2006, BlueBays ordinary shares were placed on the main market for listed securities of the London Stock Exchange at an offer price of 300 00 pence per ordinary share The range during the period following conditional trading to 30 June 2007 was 315 00 pence to 568 25 pence per ordinary share The closing market price of ordinary shares on 10 September 2007 was 369 75 pence

Equity settled share award scheme (formerly 'D' shares)

The executive directors had the following rights to equity settled share awards

	Outstanding at 1 July 2006	Awarded during year	Transferred in year[a]	Lapsed/ forfeited in year	Outstanding at 30 June 2007
Executive directors					
Hugh Willis	2,480 000	–	–	–	2 480,000
Mark Poole	2,480 000	–	–	–	2 480 000
Nick Williams	2 100 000	–	–	–	2 100 000
Alex Khein	6 000 000	–	–	–	6 000 000

Notes

a No shares vested unconditionally during the period

The executive directors were eligible to purchase shares which were subject to forfeiture provisions and only vest unconditionally as follows 25% on or after each of 22 November 2007, 22 November 2008, 22 November 2009 and 22 November 2010 The fair value of shares on subscription was 23 68 pence

Share incentive plan

The executive directors had the following rights to free and matching shares

	Free and Matched Shares held as at 1 July 2006	Free Shares granted during the year[a]	Matched Shares granted during the year[b]	Shares transferred in year	Free and Matched Shares held as at 30 June 2007
Executive directors					
Hugh Willis[c]	–	–	–	–	–
Mark Poole	–	–	–	–	–
Nick Williams	–	745	744	–	1 489
Alex Khein	–	745	744	–	1,489

Notes

a The free shares award for grant date 31 January 2007 is a maximum of £3,000 worth of shares The share price at grant date was 402 25 pence

b The share price for the matching share award at grant date 31 January 2007 was 402 25 pence

c Hugh Willis and Mark Poole waived their right to free and matching shares under the SIP

The SIP is an HMRC approved plan which offers eligible employees (including executive directors), a way to acquire shares in the Company with possible tax advantages to the employee

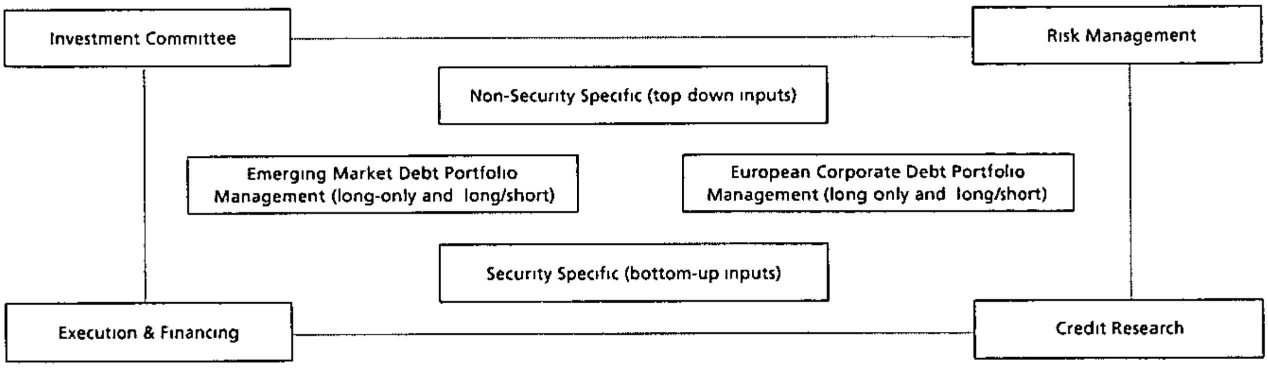
Free shares are awarded to eligible employees at no cost Matching shares are awarded at a ratio of 2 to 1, based on partnership shares purchased by the employee The partnership shares have an initial subscription of £1,500 or 10% of annual salary, if less The rights to free shares and matching shares are not conditional on achieving a performance criteria but are subject to forfeiture provisions and must be held and remain in trust for at least three years from the date on which the right was acquired Dividends are automatically reinvested and must be held and remain in trust for three years from the date of reinvestment

Approved and signed on behalf of the Board

Terence Eccles
Chairman, Remuneration Committee
24 September 2007

Risk Management and Internal Control

Figure 8 BlueBay's investment process



Source BlueBay Asset Management plc

The Board places a high priority on a strong risk management culture within the Group. The Board recognises that risk is inherent in the Group's business and the markets in which it specialises Effective risk management and strong internal controls are therefore central to the Group's business model

The tone of BlueBay's internal control environment is set through

- A clear definition of management and staff responsibilities, with reporting lines incorporating segregation of duties,
- Recruitment procedures to ensure that BlueBay recruits only staff of appropriate calibre and background,
- Transaction processing functions that focus on timely processing and recording of investment transactions, including the maintenance of consistent records and accurate reporting of holdings to clients,
- Active and professionally-staffed compliance and risk management teams, and
- The encouragement of a culture of openness and mutual trust between colleagues

The Board is ultimately responsible for the risk management process at BlueBay This responsibility is primarily fulfilled by two of its sub-committees the Audit Committee, which is responsible for the oversight of the risk management process and for assessing its effectiveness for BlueBay and the Management Committee, which is responsible for the identification, assessment and management of risks

The Management Committee relies on the support provided by two internal committees to assist it in carrying out its responsibilities

- The Investment Committee which is responsible for reviewing the investment strategies of each of the portfolio management teams
- The Compliance and Control Committee which is responsible for BlueBay's operational risk management processes and internal control framework

Investment risk

One of BlueBay's key corporate objectives is to generate strong risk-adjusted investment performance over the term of the credit cycle The investment process is designed to help us to meet this objective (see figure 8)

The investment process combines a series of top-down inputs with bottom-up security specific analysis The top-down inputs are provided through the Investment Committee, which comprises all senior portfolio managers and the Chief Investment Officer It meets on a regular basis to formulate a common view on the macro-economic backdrop and market conditions against which BlueBay makes its investment decisions Each of the portfolio management teams comprises a number of dedicated credit analysts who are sub-asset class specialists

Portfolio risk management

Overall responsibility for portfolio risk rests with the Chief Investment Officer who retains responsibility for setting portfolio risk targets, in conjunction with the Investment Committee and senior portfolio managers

Each portfolio management team is responsible for ensuring its portfolio is in compliance with fund investment restrictions To assist them in this task, the investment restrictions which govern positions in securities and relate to the majority of the portfolio's investment transactions are programmed into BlueBay's portfolio management system, the Charles River Compliance Master (the "Portfolio Management System")

Portfolio managers originate orders but do not execute trades This is done by the trade execution desk, an independent team made up of dedicated traders with specialised market knowledge by asset class The execution team receives orders which are then traded in the market The segregation of the portfolio management and trade execution functions is an integral part of BlueBay's risk management policy

When a portfolio manager enters an investment order in the Portfolio Management System, the system runs a compliance check on the order before electronically passing it to the BlueBay trade execution team If the executed order were to bring a portfolio holding close to an investment limit, the Portfolio Management System would issue a warning which the portfolio manager has to override in order to transmit the trade to the execution team

If the executed order were to cause a breach of an investment restriction, the Portfolio Management System would issue an alert which the portfolio manager would be unable to override and transmission of the order to the trade execution team would be prevented Occasionally, there are circumstances where an alert may be justifiably overridden, however, this can only be carried out by a member of the Compliance team A few investment restrictions cannot be programmed into the Portfolio Management System so portfolio managers review these orders manually prior to transmitting them to the trade execution team The Compliance team carries out a full review of all investment restrictions in all portfolios on a post-trade basis

Market risk management

Risk is measured by calculating the sensitivity of every trade or position to changes in the relevant risk factors On a daily basis, a set of standard risk reports is produced and distributed to the portfolio management teams and the Management Committee These daily risk reports include sensitivities to relevant risk factors, an assessment of overall value at risk ("VAR) and the VAR contribution of every position and a range of historical and customised stress tests On a regular basis the results are back tested in order to validate the risk figures

Independent risk monitoring is carried out by the Risk and Performance team The team uses RiskManager®, an application developed by the RiskMetrics Group™ RiskManager models every instrument as a function of underlying risk factors, i e interest rates, credit spreads, FX rates, equity prices and (implied) volatilities

Liquidity risk management

Fund liquidity risk is managed by monitoring the amount of available cash held in each fund on a daily basis and targeting an amount that is deemed to be sufficient to cover the cash needs of the funds including margin payments and potential redemptions under stressed market conditions without being forced to liquidate assets

Counterparty credit risk management

BlueBay funds only enter into over-the-counter ("OTC") derivative transactions with highly rated institutions with which they have signed International Swap Dealers Association ("ISDA") Master Agreements Each counterparty has been approved by BlueBay's Chief Investment Officer and the Compliance Officer and each new counterparty requires the approval of both the Chief Investment Officer and Compliance Officer before a trade with that counterparty may be executed BlueBay periodically assesses concentrations of credit risk with particular counterparties, by taking into account current exposures and potential future exposures due to changes in market rates

Operational risk

The Group's Compliance and Control Committee is responsible for identifying the major risks to which the Group is exposed and for developing cost-effective policy proposals to manage those risks The Committee is responsible for developing and refining BlueBay's internal control policies and procedures The Committee comprises the senior infrastructure managers, the head of the trade execution desk, the Compliance Officer, the Chief Operating Officer and is chaired by the Chief Financial Officer During the course of the financial year, the Committee carried out three major initiatives

- Review and update of the Group's risk register This is a document which identifies all the main business risks of the Group, assesses the impact and liabilities of a risk event and analyses the effects of risk mitigants This review was carried out by a team comprising internal resources and operational risk experts sourced from KPMG
- Review and update of the Group's internal control procedures In the UK, asset managers' internal control procedures were typically reviewed by external reporting accountants in accordance with the framework set out by the Financial Reporting and Audit Group ("FRAG") in Audit 4/97 – FRAG 21/94 (revised) issued by the Institute of Chartered Accountants in England and Wales ("ICAEW") This framework has now been replaced by a new one set out in AAF 01/06 also issued by the ICAEW which applies to all reporting periods starting on or after 31 March 2007

Risk Management and Internal Control continued

This new framework requires asset managers to comply with significantly more demanding internal control procedures BlueBay has taken this opportunity to review and improve its internal control environment in order to meet the new standard Review and update the Group's compliance manual and procedures During the financial year, BlueBay designed a suite of funds targeted exclusively for distribution in the US These have been designed to accommodate taxable and non-taxable US investors, including those which are subject to ERISA legislation This prompted a review of the BlueBay compliance manual to accommodate the additional US compliance requirements The BlueBay compliance manual is updated on a regular basis to reflect changes in applicable legislation and regulations

Compliance

In addition to maintaining the investment restrictions for each mandate in the Portfolio Management System, the department performs a monitoring role focusing on procedures and controls in place to ensure compliance with applicable legal and regulatory standards The compliance arrangements which are designed to promote compliance with regulations are set out in BlueBay's compliance manual The compliance manual incorporates the code of ethics which includes policies on personal account dealing, gifts and entertainment and insider trading policies All staff are required to sign an undertaking that they are familiar with and will comply with the compliance manual

The key responsibilities of the Compliance Team are

Ensuring that business is conducted in accordance with FSA and other applicable regulations,
Ensuring that investment mandates are managed in accordance with applicable regulations and mandate restrictions,
Reviewing and monitoring changes in regulations and laws and ensuring communication of relevant changes to the business units,
Providing training sessions on regulatory requirements
Assisting in the resolution of rule breaches and client complaints and following up to ensure that controls are amended to prevent recurrence, and
Serving as the primary contact with external regulators

Disaster recovery and backup procedures

The Company operates a robust disaster recovery platform that is tested twice a year In the event of a local disaster, or failure to gain access to the Company's current location, SunGard Availability Services are contracted to provide workspace for the Company's use The Company currently has several methods of server and data recovery in place which vary depending on the nature of the event This includes an off-site high availability facility which hosts replicated services for core servers and trade systems Back-up servers for the Company's file server, email and core trading systems are resident at the high availability site

The Company has uninterruptible power sources at head office for all desktops, servers and communications equipment The Company backs up its servers at the end of each working day

Internal control reviews FRAG/AAF

The Company appointed PwC as reporting accountant for the FRAG 21 report (issued by the Financial Reporting and Audit Group) for the nine months to 30 March 2007 As noted above, the FRAG (internal controls review) regime has been replaced by the Audit and Assurance Faculty 01/06 ("AAF 01/06") internal control reporting framework For the year starting on 31 March 2007 and ending on 30 March 2008, the Group intends to commission PwC to carry out a review in accordance with this new framework

Audit Committee

On behalf of the Board, the Audit Committee confirms that it has undertaken an initial review of the effectiveness of the systems of internal control in existence in the Group for the year ended 30 June 2007 and has taken account of material developments since the year end This process will be completed before the end of the calendar year 2007 to the standard required by the Turnbull Guidance

Corporate Responsibility Report

The Board and management of BlueBay recognise that through its actions, the Company has an impact on its people, its marketplace, the community and the environment We believe that as a result of this impact, we have responsibility to behave in ways which reflect our core values

The way in which we discharge this responsibility will reflect on our reputation We pride ourselves in the reputation we have established We are keenly aware that failure to live up to our core values may damage that reputation and that, once lost, it is very hard to regain

Employees

In order to be successful in our business, we need to recruit the very best professionals in the marketplace to fill each and every one of the positions we have at BlueBay We aim to continue to recruit and retain the most accomplished professionals in the marketplace We recruit our employees based solely on professional ability, objective criteria and without regard to any possible discriminatory factors We have a diverse workforce and as at 30 June 2007, we employed 185 people from more than 20 nationalities in a ratio of 2/3 male, 1/3 female We operate user friendly employment policies aimed at promoting equal opportunities and tackling and preventing harassment or discrimination These policies are available on our intranet to all employees, workers and contractors

Our clients place a high level of trust in us and we recognise both the responsibility this brings and the resulting demands on our people Having grown the business rapidly we acknowledge that to continue to be effective we must provide the necessary support and development Consequently our employees receive appropriate training to ensure they are developing their professional abilities Going forward we will continue to focus on professional skills training together with mentoring and talent management programmes In addition, we believe that an integral component of employee development is encouraging constructive feedback coupled with a requirement that all employees have agreed objectives To achieve this we have always operated an annual appraisal system and for several years we have also undertaken mid year reviews We consider that these tools enable employees to identify their strengths and the behaviours they need to address in order continue to attain their potential

It is important for all of us to participate in the success of the Company and this is demonstrated by the fact that almost all permanent employees have direct or indirect stakes in the Group We consider long-term commitment to the Group should be recognised and rewarded and we have extended our practice of offering part of the annual discretionary bonus award to be taken in the form of deferred fund share awards which vest over several years

We are committed to providing our employees with a congenial workplace We feel it is crucial for us to maintain a collegiate working atmosphere based on mutual respect for all, regardless of the position a person has within the Company We believe that our corporate culture is an important aspect of our success and that it is best maintained by staying together When it became clear that our current London office would no longer accommodate all of our employees, we looked for alternative premises that would enable us all to stay together Similarly, in anticipation of the growth of our New York office, (which engages in sales, client service and research activities), we have secured the lease of additional office space directly adjacent to the current office

We recognise our health & safety obligations to everyone who either works in or visits our premises Hugh Willis, Chief Executive is responsible for health & safety and he is assisted by an external fully qualified professional Our comprehensive health & safety policy is available on our intranet In line with recent legislation we operate a non-smoking policy in our office and our policy on the intranet offers guidance to employees Although we carried out an extensive health and safety review during the early part of 2007 we will undertake another once we have moved to our new London location

Marketplace

We believe that the interests of our business are best served by establishing a reputation for reliably doing what we say we will do and being as transparent as is commercially sensible to enable people to check our assertions for themselves We regularly respond to due diligence questionnaires and invite prospective clients to initial due diligence visits which will typically cover both the investment process and the operational infrastructure Many existing clients conduct regular follow-up due diligence visits

Corporate Responsibility Report continued

We have established a substantial client relations team in our London office with additional resource in both our Tokyo and New York offices In addition to day-to-day client servicing, these teams ensure that clients receive regular investment reporting, hold client review meetings and ensure that information is available via our secure client extranet site The wider team also have responsibility for ensuring the Group website is maintained They produce Group and product literature and publication of our periodic investment publications (eg "Wavelength") setting out the Group's views on various aspects of the credit markets We are always keen to receive feedback

We welcomed the improvement in the standard of internal control review introduced by the Institute of Chartered Accountants in England and Wales in their new AAF 01/06 standard which replaced the old FRAG 21 standard We commissioned KPMG to carry out a gap analysis of our control environment against this new standard which has resulted in a number of control improvements in our organisation We invited Standard & Poors ("S&P") to review and rate our long-only funds and three of our flagship funds now have an S&P rating, two of which are AA and one of which is AAA

As a fixed income credit asset manager, we invest predominately in bonds and loans rather than equities As a result, our ability to influence the management of the companies in which we invest is typically significantly more limited than it would be for an equity investor Nevertheless, we recognise that there is a growing number of investors who want their investments to be made on a socially responsible basis During the course of the year, we have worked closely with one of our clients to develop the concept of an "ethical" alternative to one of our funds, which excludes investments in certain companies and industries at the request of the client

Community

As we grow in size, we have become increasingly aware of our impact on the wider community We asked all our employees if they would like to nominate a charity to which we could make a corporate donation In 2006-07, we made a combined contribution of £100 000 to three charities which focused on disadvantaged children and which, in our opinion, had a good record of channelling most of the donations they receive through to their beneficiaries These were the National Society for the Prevention of Cruelty to Children (NSPCC), Save the Children and the National Children's Homes

We sponsor those employees that wish to participate in the annual Chase Corporate Challenge where monies are raised for the Sports Aid charity

During the course of 2007-08, we will continue to look into opportunities to enable the Group and its employees to contribute to the wider community

Environment

We have become increasingly aware of the negative impact economic activity may have on the environment We are committed to limiting and ultimately reducing the impact of our business on the environment

Our move to a new building in London opens up a number of opportunities for us The redevelopment of the building was completed in 2007 and it complies with the highest building environmental standards in the UK In order to fit out the inside of the building to meet our business requirements, we selected a contractor based on a tender process where environmental credentials were one of the critical selection criteria The contractor we have selected is widely recognised for its environmental practice and in a recent development for the UK Department for Environment, Food and Rural Affairs (Defra) the contractor received an "Excellent" rating under the Building Research Establishment Environmental Assessment Method (BREEAM)

For the ongoing operation of our business, we are actively looking at ways in which we can reduce our consumption of energy In the selection of cleaning contractors, we are aiming to source suppliers who can provide us with more effective ways of recycling office waste At the time of writing it is a little too early to describe specific initiatives, however, we anticipate we will have more to report in our next Annual Report

Directors' Responsibility Statement

The following statement, which should be read in conjunction with the report of the independent auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and the auditors in relation to the Annual Report and the Financial Statements contained within

The Directors are responsible for preparing the Annual Report and ensuring it gives a true and fair view of the state of affairs of the Group at the end of the financial year and of the results for the year in accordance with applicable UK law, United Kingdom Accounting Standards and those International Financial Reporting Standards (IFRS) adopted by the EU The Directors have responsibility for ensuring that the Group keeps proper accounting records which enable them to ensure the Financial Statements comply with the Companies Act 1985 They are also responsible for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

The Directors remain satisfied that the Group has adequate resources to continue in business and, accordingly, that the Financial Statements should be drawn up on a going concern basis Further, appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates have been used in the preparation of these Financial Statements and applicable accounting standards have been followed These policies and standards, for which the Directors accept responsibility, have been discussed with the auditors The Directors having prepared the Financial Statements, have requested the auditors to take whatever steps and to undertake whatever inspections they consider appropriate for the purpose of giving their report

Disclosure of information to auditors

Each Director has responsibility for ensuring that, as far as he is aware there is no relevant audit information of which the auditors are unaware, and that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information (that is, relevant to the preparation of the auditors' reports) and to establish that the Group's auditors are aware of that information This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Other disclosures

Pages 28 to 30 inclusive contain the Directors' Report and pages 40 to 45 inclusive contain the Remuneration Report, both of which have been drawn up and presented in accordance with and in reliance upon applicable English Company Law, and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law

The statement from the Chairman and the Chief Executive on pages 6 to 7 and 8 to 9 respectively and the Business Review on pages 11 to 24, which form part of the Directors' Report, contain certain forward-looking statements with respect to the financial condition, and results of, operations and businesses of the Group These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this report The Directors do not make any undertaking to update or revise any forward looking statements, whether as a result of new information, future events or otherwise Nothing in this document should be construed as a profit forecast

The Financial Statements for the year ended 30 June 2007 are included in the Annual Report 2007, which is published in hard copy form and made available on the Group's website The Directors are responsible for the maintenance and integrity of the Annual Report on the Group's website in accordance with UK legislation governing the preparation and dissemination of Financial Statements It should be noted that information published on the Internet is accessible in many countries, some of which have different legal requirements relating to the preparation and dissemination of Financial Statements The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that have occurred to the Financial Statements since they were initially presented on the website

By Order of the Board

James Brace
Company Secretary
24 September 2007

Financial Statements

Independent auditors' report to the members of BlueBay Asset Management plc

We have audited the Group and Parent Company Financial Statements (the "Financial Statements") of BlueBay Asset Management plc for the year ended 30 June 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes These Financial Statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration Report that is described as having been audited

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Directors' Responsibility Statement

Our responsibility is to audit the Financial Statements and the section of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, 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

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the section of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2003) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the Board s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements The other information comprises only the Directors' Report, the unaudited section of the Directors' Remuneration Report, the Chief Executive's Review, the Chairman's Statement the Business Review and the Corporate Governance Statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements Our responsibilities do not extend to any other information

The maintenance and integrity of the BlueBay Asset Management plc website is the responsibility of the Directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the section of the Directors' Remuneration Report to be audited It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements and the section of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the section of the Directors' Remuneration Report to be audited

Opinion

In our opinion

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2007 and of its profit and cash flows for the year then ended,
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2007 and cash flows for the year then ended,
- the Financial Statements and the section of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the Financial Statements

X PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
24 September 2007

Significant accounting policies

BlueBay Asset Management plc ("the Company") is a company incorporated in the United Kingdom under the Companies Act 1985 The Group Financial Statements for the year ended 30 June 2007 comprise the Company and its subsidiaries ("the Group")

The significant accounting policies are summarised below These policies have been consistently applied to all the years presented

a) Basis of preparation
The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and relevant International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU") and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS

The Group 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

b) Basis of consolidation
The Group Financial Statements incorporates Financial Statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 30 June each year Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities The Financial Statements of subsidiaries are included in the Group's Financial Statements from the date that control begins to the date that control ceases

The subsidiaries of the Company are

BlueBay Funds Management Company S A
BlueBay Asset Management Japan Limited
BlueBay Asset Management USA LLC

The Group's Employee Benefit Trusts are also consolidated in the Group s Financial Statements

All intra-group transactions and balances are eliminated in full on consolidation

Neither the Directors nor shareholders have the power to amend the Financial Statements after issue

c) Changes in accounting policies and disclosures
IFRIC interpretations and amendments to existing standards that became effective during the year have been applied by the Group These amendments have not had a material impact on the Financial Statements or accounting policies

d) New IFRS standards and interpretations not applied
The following IFRSs and interpretations were available for early application but have not been applied in these Financial Statements The Group has assessed the impact of these new standards and interpretations and has concluded it is not likely to have a significant impact on the Group's results

(i) IFRS 7 'Financial instruments disclosure' and an amendment to IAS 1 'Presentation of Financial Statements' on capital disclosures were issued by the IASB in August 2005 and are required to be adopted by the Group for reporting in its financial year ended 30 June 2008 This new standard and the revision to IAS 1 add further quantitative and qualitative disclosures in relation to financial instruments and how an entity manages its capital resources
(ii) IFRS 8 Operating segments was issued in November 2006 and, if adopted by the EU, will be required to be adopted by the Group for reporting in its financial year 30 June 2010 The new standard adopts a management approach under which segmental information is to be disclosed on the same basis as that used for internal reporting purposes
(iii) IFRIC 8 clarifies that transactions within the scope of IFRS 2 'Share Based Payment' include those in which the entity cannot specifically identify some or all of the goods and services received
(iv) IFRIC 9 clarifies that an entity should assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract Subsequent reassessment is prohibited unless there is a change in the contract terms, in which case it is required
(v) IFRIC 10 Interim Financial Reporting and Impairment' refers to impairment losses recognised in a previous interim period in respect of goodwill or an investment in an equity instrument carried at cost should not be reversed in subsequent periods
(vi) IFRIC 11 Group and Treasury Share Transactions' addresses if certain transactions should be accounted for as equity-settled or cash-settled under the requirement of IFRS 2 It also addresses share-based payment arrangements that involve two or more entities within the same group

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

(i) Estimating the fair value of share-based payments
Prior to listing, the Group had been required to make various valuation assumptions in order to account for share-based payments These are explained fully in note 19

(ii) Intangible assets
The valuation and amortisation periods of intangible assets on acquisition, such as computer software, and the impairment testing is based on value in use calculations prepared on the basis of management's assumptions and estimates of future cash flows and discount rates

(iii) Staff costs
An estimate of the future liability for bonuses and other employee incentive schemes is included in staff costs

(iv) Surplus premises
The Group periodically reviews its premises requirements and makes provisions where necessary if the Group has no current need for premises to which the Group is already contractually committed under the terms of an operating lease agreement The calculation of any required provision requires significant judgement, as the Group needs to estimate the provision based upon discounted future cash outflows due to be paid under the lease less any potential cash inflows from sub-letting arrangements that the Group is able to negotiate These cash flows are then discounted for the remaining lease period In estimating these cash flows, the Group consults with external advisers in the relevant location to understand the potential to sub-let the premises, the rental rates which could be achieved and the potential amount and time period of any leasehold inducements which may need to be offered to successfully secure a sub-tenant

f) Presentation of exceptional items
The Group has shown exceptional items separately on the face of the Income Statement The Group defines exceptional items as those material items, by virtue of their size or nature, which the Group considers should be presented separately in order to aid comparability between periods

g) Segment reporting
A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments The principal activity of the Group is the provision of investment management services The business segments are the primary reporting segments As the Group only operates in one business segment, no additional business segmental analysis has been shown

A geographical segment is engaged in providing services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments The Group operates in Europe, Asia and North America The analyses by geographical segment are based on the location of the customer This is the location where the fund product entities are registered, or segregated client accounts are domiciled, from which fee income is earned

h) 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 associated with developing or maintaining computer software programmes are recognised as an expense as incurred Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, 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

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 estimated recoverable amount
The following useful lives have been determined for the intangible assets acquired during the year

Computer software licences	3-5 years
Software development costs	5 years

Significant accounting policies continued

i) 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 the 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 Group 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 allocate the cost of each asset to its residual value over its estimated useful life as follows

Leasehold improvements	3-5 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 estimated 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

j) Investments
(i) Classification
All Group investments are classified as financial assets at fair value through profit or loss These include the financial assets originally purchased as part of "deferred compensation awards" on behalf of employees and shown on the balance sheet, see note 13 Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date

(ii) Measurement
Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset Investments are initially recognised at fair value plus transaction costs Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss are included in other operating income in the Income Statement in the period in which they arise

k) Derivative financial instruments
(i) Derivative financial instruments and hedging activities
The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and does not hold or issue derivative financial instruments for speculative purposes The Group does not designate any derivatives as hedging instruments Derivatives are, therefore, initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value The resulting gains or losses are recognised immediately in the Income Statement Derecognition of derivative assets and liabilities occurs on the expiry date of the derivative contract

(ii) Financial risk factors
A qualitative analysis of the financial risks facing the Group, is provided in the Risk Management section to this Annual Report

l) Trade receivables
Trade receivables are recognised initially at fair value less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Group 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 amount of the provision is recognised in the Income Statement

m) 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

n) Liability for share-based payments
Liabilities in respect of historic "share-based payment transactions", which were cash-settled, are shown at their fair value at the balance sheet date in accordance with IFRS 2

o) Provisions

Provisions for costs, such as legal claims, are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated

p) Income recognition

(i) Revenue

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

(a) Performance fees – are calculated by reference to the appreciation in the net asset value of the relevant fund during the performance period In accordance with IAS 18, performance fees are only recognised once they can be measured reliably The Group can only reliably measure performance fees at the end of the performance period as the net asset value of the relevant fund could move significantly, as a result of market movements, between the Group's balance sheet date and the end of the performance period

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

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method When a receivable is impaired the Group 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

q) Fair value estimation

The fair value of quoted financial assets is based on current bid prices

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

r) Distribution agreements

The Group operates a number of distribution agreements Commission payments made to intermediaries for ongoing services under these distribution agreements are charged to the Income Statement in the period in which they are incurred There are no arrangements where commission payments are not for ongoing services

s) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases All the Group'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

t) Employee benefits

(i) Pension costs

The Group operates a defined contribution scheme Employees may contribute directly to this scheme The Group makes no contributions to the scheme and there is therefore no cost in the Group accounts

(ii) Share-based compensation

The Group operates equity-settled, share-based compensation plans These are explained in note 19 of these Financial Statements The fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options awarded/granted At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity

(iii) Deferred compensation plans

The Group also operates deferred compensation plans under which a portion of an employee's bonus is invested in one of the funds managed by the Group The fair value of the employee services received in exchange for the awards in the funds is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards, remeasured at each reporting date until the settlement date is reached The fair value of the awards equates to the fair value of the underlying investment in the nominated fund entity at the settlement date

Significant accounting policies continued

(iv) Profit-sharing and bonus plans

The Group operates non-contractual bonus pools based on formulas that take into consideration either Group profitability or its performance fee revenues, on a calendar year basis The formulas are reviewed and approved annually by the Remuneration Committee At the end of the financial year, the Group recognises a liability for bonus pools accrued but not yet paid

u) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") The Group Financial Statements are presented in Great British Pounds ("GBP"), which is the Company's functional and presentation currency and the currency in which the majority of the Group's assets, liabilities and funding is denominated

(ii) Transactions and balances

Foreign currency transactions are translated into the relevant Group entity's functional currency using the exchange rate prevailing at the date of the transactions, or where it is more practical a Group entity 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 operating income or losses in the Income Statement

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows

(a) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet,
(b) income and expenses for each income statement are translated at average exchange rates for the relevant accounting periods and
(c) all resulting exchange differences are recognised as a separate component of equity

v) Deferred tax

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date 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 profit will be available against which the deductible temporary differences can be utilised

w) Dividend distribution

Dividend distributions to the Company's shareholders are recognised in the Group's Financial Statements in the period in which the dividend is paid or approved by the Company's shareholders

x) Share capital and share premium

Ordinary shares are classified as 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

y) Own shares

Employee trusts have been established for the purposes of satisfying certain equity-based awards The holdings of these trusts include shares (own shares) that have not vested unconditionally with employees of the Group

Own shares are held for the short term to meet future award requirements and are recorded, at cost, as a deduction from equity These are shown separately on the face of the balance sheet with the intention to offset against retained earnings in the future

Group income statement For the year ended 30 June 2007

	Note	2007 £000 s	2006 £000 s
Revenue	1	109,191	75,958
Other operating income	4	249	1,035
Other operating expenses	4	(343)	–
Administrative expenses	2	(59,719)	(46,706)
Operating profit		49,378	30,287
Operating profit before exceptional items		50,476	30,287
Exceptional items	3	(1,098)	–
Operating profit		49,378	30,287
Finance income	6	2,244	816
Finance expense	6	(6)	(41)
Profit on ordinary activities before taxation		51,616	31,062
Taxation	7	(16,448)	(9,443)
Profit for the year attributable to ordinary equity shareholders	23	35,168	21,619
Earnings per share			
Basic	8	25 0p*	18 0p
Diluted	8	18 5p	15 8p
Memo			
Dividends paid in the period	9	14,398	13 800

The notes on pages 65 to 82 are an integral part of these Group Financial Statements

All Group operations during the financial periods were continuing operations

* SEE ERRATUM

Group balance sheet As at 30 June 2007

	Note	2007 £000's	2006 £000's
Assets			
Non-current assets			
Property, plant and equipment	11	2 554	2,838
Intangible assets	12	1,747	1 525
Deferred tax asset	17	6,731	631
Non-current receivables	14	99	1 218
Total non-current assets		11,131	6,212
Current assets			
Trade and other receivables	14	35,771	31,130
Current tax asset		84	-
Derivative financial instruments	18	3	246
Financial assets	13	13 876	3,674
Cash and cash equivalents	15	51,531	25,215
Total current assets		101,265	60 265
Total assets		112,396	66,477
Liabilities			
Non-current liabilities			
Deferred tax liability	17	–	117
Trade and other payables	16	6,353	1,347
Liability for share-based payments	20	–	12,018
Total non-current liabilities		6 353	13,482
Current liabilities			
Trade and other payables	16	18,367	19,084
Current tax liabilities		77	5,334
Total current liabilities		18,444	24,418
Total liabilities		24,797	37,900
Shareholders' equity			
Share capital	21	190	12
Share premium	23	31,551	15,587
Retained earnings	23	49,635	12,531
Own shares	22	(1 015)	–
Other reserves	23	7,238	447
Total shareholders' equity		87,599	28,577
Total liabilities and shareholders' equity		112 396	66,477

The notes on pages 65 to 82 are an integral part of these Group Financial Statements

The Financial Statements on pages 56 to 82 were approved by the Board of Directors and authorised for issue on 24 September 2007 and signed on its behalf by

Director **Hugh Willis** Director **Nick Williams**

Group statement of changes in shareholders' equity

	Share capital £000's	Share premium £000's	Retained earnings £000's	Own shares £000's	Other reserves £000's	Total £000's
Balance at 1 July 2006	12	15,587	12,531	–	447	28,577
Currency translation adjustments	–	–	(12)	–	–	(12)
Share-based payments	–	–	–	–	687	687
Deferred tax on share-based payments	–	–	–	–	6,006	6,006
Deferred income tax	–	–	–	–	16 444	16,444
Net income/(expense) recognised directly in equity	–	–	(12)	–	23,137	23,125
Profit for the year	–	–	35,168	–	–	35,168
Dividends	–	–	(14,398)	–	–	(14,398)
Total recognised income for the year	–	–	20,758	–	23,137	43,895
Reclassification of debt as equity (note 20)	50	11,968	–	–	–	12,018
Exercise of share options	20	5,234	–	–	–	5 254
Bonus issue (note 21)	108	(108)	–	–	–	–
IPO costs (note 3)	–	(1,130)	–	–	–	(1,130)
Purchase of own shares by Employee Benefit Trust	–	–	–	(270)	–	(270)
Purchase of own shares for Share Incentive Plan	–	–	–	(900)	–	(900)
Disposal of own shares for Share Incentive Plan	–	–	–	155	–	155
Deferred tax asset utilised	–	–	16,350	–	(16,350)	–
Transfer between reserves	–	–	(4)	–	4	–
Balance at 30 June 2007	190	31,551	49,635	(1,015)	7,238	87 599

	Share capital £000's	Share premium £000's	Retained earnings £000's	Own shares £000's	Other reserves £000's	Total £000's
Balance at 1 July 2005	12	15,587	4,714		–	20,313
Currency translation adjustments	–	–	(2)	–	–	(2)
Share-based payments	–	–	–	–	81	81
Deferred tax on share-based payments	–	–	–	–	366	366
Net income/(expense) recognised directly in equity	–	–	(2)	–	447	445
Profit for the year	–	–	21,619	–	–	21,619
Dividends	–	–	(13,800)	–	–	(13,800)
Total recognised income for the year	–	–	7,817	–	447	8 264
Balance at 30 June 2006	12	15,587	12,531	–	447	28,577

The notes on pages 65 to 82 are an integral part of these Group Financial Statements

Group cash flow statement For the year ended 30 June 2007

	Note	2007 £000's	2006 £000's
Cash flows from operating activities			
Cash generated from operations	24	56,118	26,545
Corporation tax paid		(5,564)	(7,830)
Exceptional items	3	(1,098)	–
		49,456	18,715
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,348)	(2,476)
Purchase of intangible assets		(550)	(1,000)
Purchase of current financial assets		(10,199)	(3,462)
Sale of current financial assets		246	–
		(11,851)	(6,938)
Cash flows from financing activities			
Cash received for cash-settled share-based payments	20	–	12,018
Proceeds from issue of ordinary shares		5,254	–
Purchase of own shares by Employee Benefit Trust	22	(270)	–
Purchase of own shares by Share Incentive Plan	22	(900)	–
Sale of own shares by Share Incentive Plan	22	155	–
IPO costs written off against share premium	3	(1,130)	–
Dividends paid	9	(14,398)	(13 800)
		(11,289)	(1,782)
Net increase in cash and cash equivalents		**26,316**	**9,995**
Cash and cash equivalents at beginning of year		25 215	15,220
Cash and cash equivalents at end of the year	15	**51,531**	**25,215**

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

The notes on pages 65 to 82 are an integral part of these Group Financial Statements

Group notes to the financial statements

1 Segmental reporting

(a) Primary format – business segment

The Group has one distinguishable business segment, that being the provision of investment management services This is considered by management to be the Group's primary segment The result of that business segment is therefore disclosed in these accounts in the primary statements on pages 61 to 64

Revenue can be broken down as follows

	2007 £000 s	2006 £000's
Net management fees	60,950	37,156
Performance fees	48,241	38,802
Total revenue	109,191	75,958

(b) Secondary format – geographical segments

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

	2007 £000's	2006 £000's
Segment revenue		
Europe		
Luxembourg	12,573	5,081
Other Europe	4,409	1,461
The Americas		
Cayman Islands	92,209	69,416
United States of America	–	–
Total segment revenue	109,191	75,958
Segment assets		
Europe		
Luxembourg	2,807	1,321
Other Europe	2,056	1,115
The Americas		
Cayman Islands	28,665	27,324
United States of America	–	–
Total segment assets	33,528	29,760
Capital expenditure and intangible assets		
Europe		
Luxembourg	–	–
Other Europe	1,803	3,245
The Americas		
Cayman Islands	–	–
United States of America	62	266
Total capital expenditure and intangible assets	1,865	3 511

Group notes to the financial statements continued

2 Administrative expenses

	2007 £000's	2006 £000's
The following items have been included in administrative expenses		
Staff costs (note 5)	42,521	35,065
Depreciation (note 11)	1,312	665
Amortisation (note 12)	328	137
Loss on disposal of property, plant and equipment (note 11)	254	174
Loss on disposal of intangible assets (note 12)	–	155
Other operating lease rentals payable		
– Property	1,614	541
– Computer software	343	293
Net foreign exchange differences recognised	(54)	1,292

Audit and non-audit fees 2007

	UK £000's	Overseas £000's	Total £000's
Audit fees for the annual Financial Statements	125	–	125
Year-end audit services to the subsidiaries of the Company	–	18	18
Other services pursuant to legislation	111	–	111
Taxation services	151	18	169
Other services	574	–	574
Total fees	961	36	997

Included within the current year audit fees is an amount of £24,000 which was paid in 2007 but related to the 2006 audit

Other services pursuant to legislation in 2007 include £49,000 for the audit of the Financial Reporting and Auditing Guideline 21 ("FRAG 21"), £58,000 for the review of the interim financial information under the Listing Rules of the Financial Services Authority and in accordance with IAS 34 Interim Financial Reporting' and £4,000 in respect of the annual regulatory audit

Taxation services include compliance services such as tax return preparation, transfer pricing work and advisory services

Other services include compliance and general advice of £61,000 and reporting accountant's fees relating to the IPO of £513,000 Of the total fees of £513,000, £375,000 was written off against the share premium account (note 3)

Audit and non-audit fees 2006

	UK £000's	Overseas £000's	Total £000's
Audit fees for the annual Financial Statements	63	–	63
Year-end audit services to the subsidiaries of the Company	–	6	6
Other services pursuant to legislation	60	–	60
Taxation services	28	–	28
Other services	188	–	188
Total fees	339	6	345

Other services in 2006 include £55,000 for the audit of the Financial Reporting and Auditing Guideline 21 ("FRAG 21") and £5,000 for the audit of the annual regulatory return

Other services in 2006 comprises work relating to the conversion to IFRS of £150,000 and listing services of £38,000

In accordance with Tech 6/06 Disclosure of auditor remuneration issued by the Institute of Chartered Accountants in England and Wales, comparative audit fee analysis has been recategorised

3 Exceptional items

The Group has identified IPO costs as an "exceptional item" in accordance with the Group accounting policies on page 57 to these Financial Statements The Company listed on 22 November 2006 In accordance with the provisions of the Companies Act, costs totalling £1,130,000 were written off against the share premium account Further costs of £1,098,000 were charged against the Income Statement within administrative expenses

4. Other operating income and expenses

	2007 £000's	2006 £000's
Other operating income includes the following items		
Fair value gains		
Gains on derivative financial instruments	–	824
Investments at fair value	249	211
Total other operating income	249	1,035

Other operating expenses include the following items

Loss on derivative financial instruments	(343)	–

5 Staff costs

	2007 £000's	2006 £000 s
Wages and salaries	37,158	30,957
Social security costs	4,676	4,027
Share-based payments	687	81
Total staff costs	42,521	35,065

The Group aims to attract, motivate and retain high calibre executives by rewarding them with competitive salary and benefit packages, which may be linked to the creation of long-term shareholder value Salary ranges are established by reference to those prevailing in the employment market generally for executives of comparable status, responsibility and skills All employees are eligible for an annual discretionary bonus In addition to cash bonuses, the Group operates various non-cash remuneration schemes

(i) Long-term share-based incentive schemes
These schemes are described in full in the audited section of the Remuneration Report

(ii) Deferred compensation schemes
The Group operates a deferred compensation programme Under the terms of this scheme the Group has purchased shares in various funds of which a Group company acts as investment manager The shares in the funds purchased are held in the name of a nominee company for the benefit of selected employees The shares are subject to certain forfeiture provisions

Wages and salaries include all amounts paid to employees, salaries, cash bonuses, deferred compensation and share-based payments These costs include Directors' remuneration which can be found within audited section of the Remuneration Report and form part of these Financial Statements

The average number of persons employed by the Group during the year was as follows

	2007	2006
Asset Management	47	39
Sales and Marketing	29	19
Administration and Finance	75	41
Total average number of employees	151	99

Group notes to the financial statements continued

6. Finance income and expense

	2007 £000's	2006 £000's
Finance income		
Interest on cash and cash equivalents	2,198	780
Interest on rent deposits	46	36
Total finance income	2,244	816
Finance expense		
Interest payable	(6)	(41)

7. Taxation

Analysis of charge in period

	2007 £000's	2006 £000's
Current tax		
UK corporation tax on profits for the year	16,444	9,375
Adjustments to tax charge in respect of previous periods	63	126
Foreign tax	155	47
Total current tax	16,662	9,548
Deferred tax (note 17)		
Origination and reversal of temporary differences	(12)	(42)
Adjustments in respect of previous periods	(64)	–
IFRS 2 share-based payments credit	(126)	(63)
Foreign tax	(21)	–
Adjustments in respect of change to future tax rate	9	–
Total deferred tax	(214)	(105)
Total tax expense	16,448	9,443

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

	2007 £000's	2006 £000's
Profit on ordinary activities before tax	51,616	31,062
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 30% (2006 30%)	15,485	9,319
Effects of		
Expenses not deductible for tax purposes	81	101
Depreciation in excess of capital allowances	381	77
Capital items in revenue	200	–
Exceptional items	329	–
Share-based payments	(126)	(63)
Adjustment in respect of previous period	(1)	126
Adjustment in respect of foreign tax rates	54	18
Adjustments in respect of changes to future tax rates	9	–
Other	36	(135)
Total tax expense	16,448	9,443

8 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders for the relevant period by the number of ordinary shares in existence less the weighted average number of own shares, after retrospectively taking into account the restructuring of the Company's share capital as described in note 21

Diluted earnings per share is calculated as for basic earnings per share with further adjustments to the weighted average number of ordinary shares to reflect the effects of all dilutive ordinary shares

There are no differences between the profit for each financial year attributable to equity holders used in the basic and diluted earnings per share calculations

The reconciliation of the figures used in calculating basic and diluted earnings per share is given below

	2007		2006	
	Total number (thousands)	Weighted average (thousands)	Total number (thousands)	Weighted average (thousands)
Number of shares at 1 July 2006 (and 1 July 2005)	120,000	120,000	120,000	120,000
Issue of shares	20,763	12 547	–	–
Shares reclassified from debt (note 20)	49,610	49,610	49,610	14,935
Number of shares at 30 June 2007 (and 30 June 2006)	190,373	182,157	169,610	134,935
Shares owned by employee trusts	(785)	(511)	–	–
Shares owned by Share Incentive trust	(261)	(167)	–	–
Shares held in nominee account on behalf of employees (note 22)	(69,587)	(40,714)	(49,610)	(14,935)
Basic number of shares	**119,740**	**140,765**	**120,000**	**120,000**
Shares owned by employee trusts	785	511	–	–
Shares owned by Share Incentive trust	261	167	–	–
Shares held in nominee account on behalf of employees (note 22)	69,587	40,714	49 610	14,935
Employee share options	8,670	8,083	28,400	1,929
Dilutive number of shares	**199,043**	**190,240**	**198,010**	**136,864**
Earnings attributable to equity holders of the Group	35 168	35,168	21,619	21,619

The weighted average number of shares used for the calculation of earnings per share has retrospectively been adjusted to take account of the impact of the nine for one bonus issue of shares on 1 November 2006, the recognition of equity shares that were previously classified as a liability and the share split which took place on 22 November 2006 (note 21)

9 Dividends

	2007 £000's	2006 £000's
Declared and paid during the year		
Equity dividends and ordinary shares		
1st Interim dividend £0 06 (2006 £0 03)	10,177	3,600
2nd Interim dividend £0 03 (2006 £0 01)	4,221	1,200
3rd Interim dividend nil (2006 £0 03)	–	3,000
4th Interim dividend for 2007 nil (2006 £0 06)	–	6,000
Total	14,398	13,800

The Directors have recommended a final dividend of 6 0 pence in respect of the year ended 30 June 2007

No final dividend was proposed as at 30 June 2006

Dividends per share have been adjusted to reflect the changes in the Company's restructuring of its share capital, as described in note 21

Of the total dividends declared and paid of £14,398,100, £4 198 100 was paid on shares which are classified as own shares, as described in note 22 (2006 nil)

10 Financial risk management

A qualitative analysis of the financial risks, which include credit, market and liquidity risks, facing the Group is provided in the Risk Management section to this Annual Report

Group notes to the financial statements continued

11 Property, plant and equipment

	Leasehold improvements £000's	Furniture fixtures and fittings £000's	Information and communication technology equipment £000's	Total £000's
Cost				
At 1 July 2006	1,904	669	1,779	4,352
Additions	756	90	469	1,315
Disposals	(310)	–	(7)	(317)
Currency translation difference	(14)	(5)	(24)	(43)
Reclassification	–	4	(4)	–
At 30 June 2007	2,336	758	2,213	5,307
Accumulated depreciation				
At 1 July 2006	326	315	873	1,514
Depreciation charge	668	179	465	1,312
Disposals	(57)	–	(6)	(63)
Currency translation difference	(3)	(1)	(6)	(10)
Reclassification	–	1	(1)	–
At 30 June 2007	934	494	1,325	2,753
Net book amount as at 30 June 2007	1,402	264	888	2,554

	Leasehold improvements £000's	Furniture fixtures and fittings £000's	Information and communication technology equipment £000's	Total £000's
Cost				
At 1 July 2005	703	305	1,110	2,118
Additions	1,456	365	670	2,491
Disposals	(252)	–	–	(252)
Currency translation difference	(3)	(1)	(1)	(5)
At 30 June 2006	1,904	669	1,779	4,352
Accumulated depreciation				
At 1 July 2005	134	211	584	929
Depreciation charge	271	104	290	665
Disposals	(78)	–	–	(78)
Currency translation difference	(1)	–	(1)	(2)
At 30 June 2006	326	315	873	1,514
Net book amount as at 30 June 2006	1,578	354	906	2,838

The property leases have been classified as operating leases in these Financial Statements, in accordance with IAS 17 At 30 June 2007 and 2006, none of the above assets were held under finance leases

A thorough review of the useful economic lives of property, plant and equipment was undertaken in May 2007, in light of the new leases taken on the premises at Grosvenor Street Following this review, the remaining useful economic life of leasehold improvements at the Group's existing Head Office premises in Times Place was shortened to eight months, with effect from 1 May 2007 There was no change to the remaining useful economic life of furniture, fixtures and fittings and information and communication technology equipment, as the Group currently plans on utilising such assets in its new premises

If these changes in the remaining useful economic life of leasehold improvements had not been applied, the depreciation charge in the year would have been lower by £221,000, with a corresponding impact on the results for the year for both the Group and the Company

12 Intangible assets

	Licences and development costs £000's
Cost	
At 1 July 2006	1,700
Additions	550
At 30 June 2007	2,250
Amortisation	
At 1 July 2006	175
Amortisation in the year	328
At 30 June 2007	503
Net book amount as at 30 June 2007	1,747

	Licences and development costs £000 s
Cost	
At 1 July 2005	1,947
Additions	1,019
Disposals	(1,266)
At 30 June 2006	1 700
Amortisation	
At 1 July 2005	1,149
Amortisation in the year	137
Disposals	(1 111)
At 30 June 2006	175
Net book amount as at 30 June 2006	1,525

All amortisation charges in the year are included in the notes to the Income Statement

Group notes to the financial statements continued

13 Financial assets

	2007 £000's	2006 £000's
Fair value through profit or loss		
At 1 July 2006 and 2005	3,674	–
Additions	10,454	3,674
Disposals	(252)	–
At 30 June	13,876	3,674

Financial assets at fair value through profit or loss include the following

	2007 £000 s	2006 £000's
Investment in funds	13,876	3,674

Financial assets held at fair value are designated as such upon initial recognition The fair values of the investments in funds are determined by using the net asset valuation of the funds at the balance sheet date

These investments are held in relation to the 'deferred compensation scheme' which is discussed in more detail in note 5 Financial assets of £3 674,000 have been reclassified from non-current assets to current assets in 2006

The Group has partially hedged against the foreign exchange exposure of its current financial assets (note 18) The carrying amounts of the Group's financial assets are denominated in the following currencies

	2007 £000's	2006 £000's
US dollar	9,061	270
Euro	4,815	3,404
Total	13,876	3,674

14 Trade and other receivables

	2007 £000's	2006 £000's
Amounts owed by related parties (note 25)	31,472	28,601
Other trade receivables	1,269	386
Prepayments and accrued income	3,030	2,143
Total amounts falling due within one year	35 771	31 130
Amounts falling due after more than one year		
Rent deposit	99	1,218
Total amounts falling due after more than one year	99	1,218

Credit risk with respect to trade receivables is concentrated on amounts owed by related parties These related parties are funds sponsored and managed by the Group The Directors believe no credit risk provision is required

The Directors consider that the carrying amount of trade and other receivables are at their fair values

All non-current receivables are due within five years from the balance sheet date

14 Trade and other receivables continued

Trade and other receivables are denominated in the following currencies

	2007 £000's	2006 £000's
Sterling	1,931	1,075
US dollar	21,276	19,917
Euro	12,513	10 118
Japanese yen	51	20
Total amounts falling due within one year	35,771	31,130
Sterling	–	1,696
Japanese yen	99	153
Total amounts falling due after more than one year	99	1,849

15 Cash and cash equivalents

	2007 £000's	2006 £000's
Cash at bank and in hand	1,531	1,015
Short-term bank deposits	50,000	24 200
Total cash and cash equivalents	51,531	25,215

The effective interest rate on short-term deposits was 5 49% (2006 4 35%) and these deposits have an average maturity of one day

Cash and cash equivalents are denominated in the following currencies

	2007 £000's	2006 £000's
Sterling	50,192	24,542
US dollar	726	311
Euro	560	307
Japanese yen	49	55
Other	4	–
Total	51,531	25,215

16 Trade and other payables

	2007 £000's	2006 £000's
Trade payables	304	322
Amounts owed to related parties (note 25)	–	154
Other tax and social security payable	560	318
Other creditors	2,857	1,863
Accruals	14,646	16,427
Total trade and other payables due within one year	18,367	19,084
Amounts falling due after more than one year		
Accruals	6,353	1,347
Total amounts due after more than one year	6,353	1,347

The Directors consider that the carrying amount of current trade and other payables are at their fair values

Amounts falling due after more than one year relate to costs accrued as part of the Group's deferred compensation plan £1,347,000 of costs accrued at 30 June 2006, which were previously disclosed as current liabilities, has been reclassified as non-current liabilities to reflect the period in which they vest

Other accruals totalling £2 386,000 have been reclassified from other creditors to accruals at 30 June 2006

Group notes to the financial statements continued

16 Trade and other payables continued

Trade and other payables are denominated in the following currencies

	2007 £000's	2006 £000's
Sterling	8,920	8,209
US dollar	6,668	7,430
Euro	2 655	3,350
Japanese yen	124	95
Total trade and other payables due within one year	18,367	19,084
Sterling	297	–
US Dollar	3,328	140
Euro	2,728	1,207
Total amounts due after more than one year	6,353	1,347

17 Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2006 30%)

The movement on the deferred tax account is shown below

	2007 £000s	2006 £000s
At 1 July	(148)	(43)
Income Statement credit	(214)	(105)
At 30 June	(362)	(148)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these amounts will be recovered

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 as permitted by IAS 12) during the period are shown below

(a) Deferred tax assets

	Temporary differences £000's
At 1 July 2006	631
Deferred tax asset utilised	(16,350)
Deferred tax on share-based payments taken to equity	6,006
Deferred income tax taken to equity	16,444
At 30 June 2007	6,731

	Temporary differences £000's
At 1 July 2005	137
Income Statement credit/(expense)	128
Credit taken to equity	366
At 30 June 2006	631

The deferred tax income tax credited to equity during the year is as follows

	2007 £000's	2006 £000's
Share option scheme	22,450	366

Deferred income tax assets are recognised on the tax deduction available to the Company through the exercise of share options during the year

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

17 Deferred taxation continued

(b) Deferred tax liabilities

	Temporary differences £000's
At 1 July 2006	(117)
Income Statement credit/(expense)	117
At 30 June 2007	–

	Temporary differences £000's
At 1 July 2005	(94)
Income Statement credit/(expense)	(23)
At 30 June 2006	(117)

18 Derivative financial instruments

	2007 Assets £000's	2006 Liabilities £000's
Forward foreign exchange contracts	3	246

Forward foreign exchange contracts are used to hedge expected future US Dollar and Euro fee receivables The contracts are set to expire on the date the receivable falls due Gains and losses made on forward foreign exchange contracts are fair valued through the profit and loss account The notional principal amounts of these outstanding forward foreign exchange contracts are nil (2006 £7,899,122)

Forward foreign exchange contracts are also used to partially hedge against the foreign exchange exposure of its investments held as financial assets under the deferred compensation scheme (see note 5) The contracts are set to expire on the date that such investments vest unconditionally with the employee The notional principal amounts of these outstanding forward foreign exchange contracts are €1 385,655 (£933,919) (2006 nil), with a maturity date of 1 February 2010

The forward foreign exchange contracts used to hedge foreign currency risk and financial assets are held at fair value through profit and loss

19. Share-based payments

The Group seeks to facilitate significant equity ownership by management and employees, principally through schemes which encourage and assist the purchase of the Group's shares

During the year, £687,000 was charged to the Income Statement in respect of equity settled, share-based payment transactions (2006 £81,000) This expense was based on the fair value of the share-based payment transactions on grant date All of the expense arose under employee share awards made within the Group's share-based payment schemes Details of these schemes, including calculations of fair values of options and awards can be found in the Remuneration Report on pages 40 to 45 of this Annual Report and are summarised as follows

(i) Enterprise Management Incentive (EMI) option award scheme

Options granted under the Enterprise Management Incentive option award scheme qualified as Enterprise Management Incentive options under the provisions of sections 527 – 541 and Schedule 5 of the Income Tax (Earnings & Pensions) Act 2003 All awards were granted on 19 December 2005 Selected employees were eligible to participate Certain tax reliefs arising under the EMI award scheme would have been lost if the related options had not been exercised at Listing and as a result, 20,700,000 options under the EMI award scheme were exercised at that time As a condition of exercise, the Company required the holders of the EMI options to enter into an agreement not to sell their resulting shares for a period of up to four years following Listing (although 25% of these ordinary shares become available for sale on each anniversary of the date of exercise of the EMI options) 75,000 EMI options were not exercised at Listing and they therefore reverted to unapproved options and are exercisable in accordance with the vesting schedule applicable to such options

(ii) Unapproved Option award scheme

The Group has a second option award scheme not approved by HMRC, where selected employees were eligible to participate Awards granted were all made prior to Listing Awards were granted on or around 27 March 2006 in the previous financial year and further awards on 20 July 2006 and 19 October 2006 during the current financial year None of the Unapproved Options were exercised at Listing In general terms, providing an optionholder remains an employee of the Group, options may be exercised in accordance with a vesting schedule as follows 25% on or after each of 30 January 2007, 30 January 2008, 30 January 2009 and 30 January 2010 All "Unapproved" options expire on 30 January 2015

Group notes to the financial statements continued

19. Share-based payments continued

The fair value of share options are calculated using the "Black Scholes" model, taking into account the effect of both financial and demographic assumptions Financial assumptions include the future share price volatility, dividend yield, risk-free interest rate, and the best estimate outcome of non-market based performance conditions Demographic assumptions include forfeiture and early vesting behaviours that are based upon historic observable data The fair values per option and award granted during the year, and the assumptions used in the calculations, are as follows

	Unapproved Option Award Scheme	Unapproved Option Award Scheme
Grant dates	20 July 2006	19 October 2006
Fair value underlying share at grant	£0 1151	£0 1956
Weighted average exercise price	£0 2853	£0 2853
Options awarded during the year	600,000	2,150,000
Average vesting period (years)	2 0	1 8
Expected share price volatility	19 7%	19 9%
Dividend yield	4 1%	4 1%
Risk-free rate	5 1%	5 3%
Expected option life	3 6 years	3 6 years
Number of options expected to vest	512,900	1,837,800
Average fair value per option grant	£0 1120	£0 2145

All option awards during the year were made prior to Listing

The expected share price volatility is based on historical volatility over the last two years of FTSE All-share Financials Index, adjusted by a factor to give a single stock volatility The expected life is the average expected period to exercise The risk-free rate of return is the GBP swap curve for the term, consistent with the assumed option life

The fair value share price at grant date has been calculated using an earnings multiple approach based on comparable quoted companies making various adjustments The main adjustments considered were fund concentration, earnings variability, private company, minority holdings and voting rights

Movements in the number of share options outstanding granted under the EMI option award scheme and the Unapproved Option award scheme are as follows

	2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Share options outstanding at 1 July	28,400,000	£0 2525	57,700,000	£0 2269
Granted	2,750,000	£0 2853	28,400,000	£0 2525
Forfeited	(775,000)	£0 2772	(5,350,000)	£0 2291
Cancelled	–	–	(52,350,000)	£0 2267
Exercised	(20,762,500)	£0 2531	–	–
Share options outstanding 30 June	9,612,500	£0 2586	28,400,000	£0 2525

The following share options granted were exercised during the financial year

Scheme	Number exercised	Exercise price	Exercise date	Share price at exercise date
EMI	1,800,000	£0 1541	21 November 2006	£3 32
EMI	6,900,000	£0 2226	21 November 2006	£3 32
EMI	12,000,000	£0 2853	21 November 2006	£3 32
Unapproved	37,500	£0 2853	28 March 2007	£4 10
Unapproved	12,500	£0 2853	26 April 2007	£4 55
Unapproved	12,500	£0 2853	01 May 2007	£4 57
Total	20,762,500			

19 Share-based payments continued

The share options outstanding at the end of the year have exercise prices and expected remaining lives as follows

	2007		2006	
	Number of options	**Weighted average expected remaining life**	**Number of options**	**Weighted average expected remaining life**
Option exercise price				
£0 1541	–	–	1,800,000	4 6 years
£0 2226	4,100,000	3 6 years	11,100,000	4 6 years
£0 2853	5,512,500	3 6 years	15,500,000	4 6 years
Total	9,612,500		28,400,000	

(iii) Share award scheme

During 2006, the Group's selected senior employees were permitted to subscribe for shares Additional details are included in note 20

(iv) Share incentive plan ("SIP")

The Group SIP is an HMRC approved plan which allows employees, including Directors, to acquire shares in the Company The scheme is open to UK based employees and provides free shares from the Group to each participating employee, based on an award of £3,000 worth of shares per employee The Group also provides free shares that match the employee purchase up to a maximum of £1,500 per annum in the ratio of two to one At listing, the Group purchased 300,000 shares at a weighted average share price of £3 00 (2006 nil) in order to satisfy such shares awards

The fair value of the shares is measured on the grant date and spread over the period during which the employees become unconditionally entitled to the underlying shares The fair value of the shares granted is taken to be the market price at the date of award The amount recognised in the Income Statement is adjusted to reflect the expected and actual number of shares that vest

Pursuant to these plans, the Group awarded 176,109 ordinary shares to employees (2006 nil) at a weighted average share price of £4 03 (2006 nil) A charge of £710,000 (2006 nil) will be expensed over a vesting period of four years A further 38 512 shares were sold to employees as part of the matching shares concept (note 22) The Group holds the remaining 85 379 ordinary shares, which will be used to satisfy future share awards to employees

20 Liability for cash-settled share-based transactions

Liability for cash-settled share-based transactions relates to share subscriptions being shown as liabilities due to the forfeiture provisions contained in the share agreements

On 6 November 2006, amendments were made to the share agreements to remove the obligation of the Group to finance the repurchase of its shares in the event they were forfeited Shares subject to such arrangements have therefore been reclassified from liabilities to shareholders' equity and are now treated as equity settled transactions

The effect of share-based transactions on the Group's financial position was as follows

	2007 £000's	2006 £000's
Closing balance of liability for share-based transactions	–	12,018
Total intrinsic value for share-based transactions	–	–

Group notes to the financial statements continued

21 Share capital

	2007 £000's
Authorised	
250,000,000 ordinary shares of £0 001 each	250
Called up, allotted and fully paid	
190,372,500 ordinary shares of £0 001 each	190

	2006 £000's
Authorised	
600,000 ordinary 'A' class shares of £0 01 each	6
600,000 ordinary 'B' class shares of £0 01 each	6
303,900 ordinary 'C' class shares of £0 01 each	3
496,100 ordinary 'D' class shares of £0 01 each	5
	20
Called up, allotted and fully paid	
600,000 ordinary 'A class shares of £0 01 each	6
600,000 ordinary 'B' class shares of £0 01 each	6
	12

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

Changes to the authorised and issued share capital

On 1 November 2006, written resolutions of the company were passed such that in advance of the Company's re-registration as a public limited company in connection with the application for admission to the official list of the UK Listing Authority (the "Official List") and to trading on the London Stock Exchange, a bonus issue of shares was authorised to be made to the 'A', 'B' and 'D' class shareholders at a ratio of nine new equivalent shares of one pence each for each 'A', 'B' or 'D' share held Further, the capital of the 'C' shares was increased from one pence each to ten pence each

On 1 November 2006 written resolutions were passed that the authorised 'A', 'B', 'C' and 'D' shares would at a future date prior to Listing be split into ordinary shares of 0 1 pence each and subsequently consolidated into one class of ordinary shares of 0 1 pence each

On 6 November 2006, amendments were made to the 'D' Share Subscription Arrangements As a result, the 'D' Shares have been reclassified as equity in accordance with IAS 32

On 17 November 2006, conditional dealings in the ordinary shares (as unlisted securities) of the Company commenced on the London Stock Exchange

On 22 November 2006, immediately prior to Listing, the written resolution passed on 1 November 2006 was invoked and each 'A', 'B', 'C' and 'D' Share was split into ordinary shares of 0 1 pence each and consolidated into one class of ordinary share of 0 1 pence each

On 22 November 2006, Listing was effective and unconditional dealings in the ordinary shares of the Company commenced The authorised share capital at the time of Listing was 250,000,000 shares of 0 1 pence each The issued share capital was 190,310,000 ordinary shares of 0 1 pence each No new ordinary shares were issued prior to or at Listing

22. Own shares

Own shares are held by employee trusts and share incentive plans for the purposes of satisfying certain equity-based awards where shares have not vested unconditionally in employees of the Group During the year, the number of own shares purchased by employee trusts and share incentive plans was 1,085,275, at a cost of £1,169,540 (2006 nil) The Group also disposed of 38,512 shares realising proceeds of £155,000

The Company also holds own shares through its arrangements with a number of employees who have subscribed for shares which have not vested unconditionally Under the terms of each subscription, the shares are held in a nominee account on behalf of each employee until such shares are no longer subject to forfeiture The number of own shares held under such arrangements was 69,587,000 (2006 49,610,000)

23 Reserves

The Group's reserves are shown in the Group's Statements of Changes in Equity

24 Cash generated from operations

	2007 £000's	2006 £000 s
Continuing operations		
Operating profit for the year	50,476	30,287
Adjustments for		
Financial assets at fair value	(250)	(211)
Derivatives at fair value	(3)	–
Share-based payments	687	81
Finance income	2,257	816
Finance expense	(47)	–
Depreciation	1,312	665
Amortisation of intangibles	328	137
Loss on disposal of property, plant and equipment	254	174
Loss on disposal of intangible assets	–	155
	4,538	1,817
Changes in working capital		
Increase in receivables	(3,259)	(18,292)
Increase in payables	4,363	12,733
Cash generated from operations	56,118	26,545

Group notes to the financial statements continued

25 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 Group and related through key management personnel	Provision of investment management and investment services by Group companies	Management and performance fees earned

(i) Sales of services during the financial year

	2007 £000's	2006 £000's
Investment management fees	108,216	75,205

Year end balances arising with shareholders during the financial year

	2007 £000's	2006 £000's
Funds managed by the Group	31,472	28,601

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

(b) Transactions and balances during the year with entities who were related parties up to the date of Listing

The following transactions were carried out during the year with entities who were related parties up to the date of Listing

Description of relationship	Description of service	Description of transactions
Exiting shareholder	Range of banking services on normal third party terms to the Group companies	Interest income received Cash held on account (i)
External fund entities, controlled by an exiting shareholder	Distribution agreement	Rebates paid to the investor (ii)
Exiting shareholder	Placement agent services to the Group companies	Fees incurred on investments placed as a result of these services (iii)

(i) Income received during the year

	2007 £000's	2006 £000's
Interest received	2,197	733

Income received up to the date of Listing was £767,000

Balances as at the year end

	2007 £000's	2006 £000's
Cash held on account	51,330	24,937

Cash held on account at the date of Listing was £34,038,000

(ii) Purchases of services during the year

	2007 £000's	2006 £000's
Distribution fees paid	663	193

Distribution fees paid up to the date of Listing was £270,000

25 Related party transactions continued

(b) Transactions and balances during the year with entities who were related parties up to the date of Listing continued

Balances as at the year end

	2007 £000's	2006 £000's
Payable due to related parties	170	145

Amounts payable to related parties as at the date of Listing was £109,000

(iii) Purchases of services during the year

	2007 £000's	2006 £000's
Placement fees paid	137	162

Placement fees paid up to the date of Listing was £43,000

Balances as at the year end

	2007 £000's	2006 £000's
Payable due to related parties	32	9

Amounts payable to related parties as at the date of Listing was £9,000

(c) Key management compensation

The remuneration of key management personnel during the year can be found in the audited part of the Remuneration Report of this Annual Report

26 Commitments and contingent liabilities

(a) Operating leases

The Group 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 are as follows

	2007 Leasehold property £000's	2006 Leasehold property £000's
Commitments under non-cancellable operating leases expiring		
Within one year	1,807	928
Later than one year and less than five years	24,741	5,857
After five years	37,687	–
Total	64,235	6,785

	2007 Computer software £000's	2006 Computer software £000's
Commitments under non-cancellable operating leases expiring		
Within one year	298	204
Later than one year and less than five years	381	826
Total	679	1,030

Group notes to the financial statements continued

26 Commitments and contingent liabilities continued

(b) Capital commitments

	2007 £000's	2006 £000's
Expenditure contracted for but not provided for in the Financial Statements	406	176

(c) Contingent liabilities

The Group is not aware of any contingent liabilities as at 30 June 2007 At 30 June 2006, the Group had contingent liabilities totalling £450,000 with respect to expenses payable to external advisors in the event of a Listing on the Stock Exchange

27 Principal group investments

The names of the principal investments of BlueBay Asset Management plc, together with the Group's controlling interest and voting rights are given below

	Country of incorporation	Effective group interest %
Principal operating subsidiaries		
BlueBay Funds Management Company S A	Luxembourg	99
BlueBay Asset Management Japan Limited	United Kingdom	100
BlueBay Asset Management USA LLC	United States of America	100

Company balance sheet As at 30 June 2007

	Note	2007 £000's	2006 £000's
Assets			
Non-current assets			
Property, plant and equipment	31	2,313	2,504
Intangible assets	32	1,747	1,525
Financial assets	33	80	79
Deferred tax asset	37	6,706	594
Non-current receivables	34	–	1,101
Total non-current assets		10,846	5,803
Current assets			
Trade and other receivables	34	35,703	31,571
Derivative financial instruments	38	3	246
Financial assets	33	13,876	3 674
Current tax asset		84	–
Cash and cash equivalents	35	51,384	24,986
Total current assets		101,050	60,477
Total assets		111,896	66,280
Liabilities			
Non-current liabilities			
Deferred tax liability	37	–	117
Trade and other payables	36	6,353	1,347
Liability for share-based payments	20	–	12,018
Total non-current liabilities		6,353	13,482
Current liabilities			
Trade and other payables	36	18,121	18,986
Current tax liabilities		–	5,321
Total current liabilities		18,121	24,307
Total liabilities		24,474	37,789
Shareholders' equity			
Share capital	40	190	12
Share premium		31,551	15,587
Retained earnings	41	49,446	12,445
Other reserves	41	6,235	447
Total shareholders' equity		87,422	28,491
Total liabilities and shareholders' equity		111,896	66,280

The notes on pages 86 to 92 are an integral part of these Company Financial Statements

The Financial Statements on pages 83 to 92 were approved by the Board of Directors and authorised for issue on 24 September 2007 and signed on its behalf by

Director **Hugh Willis** Director **Nick Williams**

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Company statement of changes in shareholders' equity

	Share capital £000's	Share premium £000's	Retained earnings £000's	Other reserves £000's	Total £000's
Balance at 1 July 2006	12	15,587	12,445	447	28,491
Share-based payments	–	–	–	687	687
Deferred tax on share-based payments	–	–	–	6,006	6,006
Deferred income tax	–	–	–	16,444	16,444
Net income/(expense) recognised directly in equity	–	–	–	23,137	23,137
Profit for the year	–	–	35,065	–	35,065
Dividends	–	–	(14,398)	–	(14,398)
Total recognised income for the year	–	–	20,667	23,137	43,804
Reclassification of debt as equity (note 20)	50	11,968	–	–	12,018
Exercise of share options	20	5,234	–	–	5,254
Bonus Issue (note 21)	108	(108)	–	–	–
IPO costs (note 3)	–	(1,130)	–	–	(1,130)
Funding of Employee Benefit Trust	–	–	–	(270)	(270)
Funding of Share Incentive Plan	–	–	–	(900)	(900)
Disposal of shares for Share Incentive Plan	–	–	–	155	155
Deferred tax asset utilised	–	–	16 338	(16,338)	–
Transfer between reserves	–	–	(4)	4	–
Balance at 30 June 2007	190	31,551	49,446	6,235	87,422

	Share Capital £000's	Share Premium £000's	Retained Earnings £000's	Other Reserves £000's	Total £000's
Balance at 1 July 2005	12	15,587	4,684	–	20,283
Share-based payments	–	–	–	81	81
Deferred tax on share-based payments	–	–	–	366	366
Net income/(expense) recognised directly in equity	–	–	–	447	447
Profit for the year	–	–	21,561	–	21 561
Dividends	–	–	(13,800)	–	(13,800)
Total recognised income for the year	–	–	7 761	447	8,208
Balance at 30 June 2006	12	15,587	12,445	447	28,491

The notes on pages 86 to 92 are an integral part of these Company Financial Statements

Company cash flow statement For the year ended 30 June 2007

	Note	2007 £000's	2006 £000's
Cash flows from operating activities			
Cash generated from operations	42	56,049	26,102
Corporation tax paid		(5,473)	(7,765)
Exceptional items		(1,098)	–
		49,478	18,337
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,288)	(2,209)
Purchase of intangible assets		(550)	(1,001)
Purchase of current financial assets		(10,199)	(3,462)
Sale of current financial assets		246	–
		(11,791)	(6,672)
Cash flows from financing activities			
Cash received for cash settled share-based payments		–	12,018
Proceeds from issue of ordinary shares		5,254	–
Funding of Employee Benefit Trust		(270)	–
Funding of Share Incentive Plan		(900)	–
Sale of shares by Share Incentive Plan		155	–
IPO costs written off against share premium		(1,130)	–
Dividends paid		(14,398)	(13,800)
		(11,289)	(1,782)
Net increase in cash and cash equivalents		**26,398**	**9,883**
Cash and cash equivalents at beginning of year		24,986	15,103
Cash and cash equivalents at end of the year	35	**51,384**	**24,986**

The notes on pages 86 to 92 are an integral part of these Company Financial Statements

Company notes to the financial statements

28 Basis of accounting
The Company applies Group accounting policies with the exception of those listed below The Group's accounting policies can be found in the Group Financial Statements on pages 56 to 60

The Company Financial Statements have been prepared in accordance with IAS 27 'Consolidated and Separate Financial Statements'

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

b) Funding of share schemes
The Company provides funding for employee share schemes to facilitate the acquisition and holding of its own shares in anticipation of delivering the shares under the share-based payment arrangements The cost of such funding is taken directly to equity within other reserves

29. Profits of the Company
The profit for the financial year dealt with in the Company was £35,065,000 (2006 £21,561,000) In accordance with Section 230 of the Companies Act 1985 a separate Income Statement has not been presented for the Company

30 Segmental reporting
The Company need not present segmental information in accordance with IAS 14 Segment Reporting' as it has taken the exemption from publishing its Income Statement and related notes under Section 230 of the Companies Act 1985

31 Property, plant and equipment

	Leasehold improvements £000's	Furniture fixtures and fittings £000's	Information and communication technology equipment £000's	Total £000's
Cost				
At 1 July 2006	1,778	623	1 547	3 948
Additions	756	84	414	1,254
Disposals	(310)	–	–	(310)
At 30 June 2007	2,224	707	1,961	4,892
Accumulated depreciation				
At 1 July 2006	308	306	830	1,444
Depreciation charge	645	164	383	1,192
Disposals	(57)	–	–	(57)
At 30 June 2007	896	470	1,213	2,579
Net book amount as at 30 June 2007	1,328	237	748	2,313

	Leasehold improvements £000 s	Furniture fixtures and fittings £000 s	Information and communication technology equipment £000's	Total £000's
Cost				
At 1 July 2005	647	288	1,041	1,976
Additions	1,383	335	506	2,224
Disposals	(252)	–	–	(252)
At 30 June 2006	1,778	623	1,547	3,948
Accumulated depreciation				
At 1 July 2005	128	209	573	910
Depreciation charge	258	97	257	612
Disposals	(78)	–	–	(78)
At 30 June 2006	308	306	830	1,444
Net book amount as at 30 June 2006	1,470	317	717	2,504

32 Intangible assets

	Licences and development costs £000's
Cost	
At 1 July 2006	1,700
Additions	550
At 30 June 2007	2,250
Amortisation	
At 1 July 2006	175
Amortisation in the year	328
At 30 June 2007	503
Net book amount as at 30 June 2007	1 747

	Licences and development costs £000's
Cost	
At 1 July 2005	1,947
Additions	1,019
Disposals	(1,266)
At 30 June 2006	1,700
Amortisation	
At 1 July 2005	1,149
Amortisation in the year	137
Disposals	(1,111)
At 30 June 2006	175
Net book amount as at 30 June 2006	1,525

33 Financial assets

	2007 £000's	2006 £000's
Current financial assets		
Fair value through profit or loss		
At 1 July 2006 and 2005	3,674	–
Additions	10,454	3 674
Disposals	(252)	–
At 30 June	13,876	3,674
Non-current financial assets		
Wholly owned subsidiaries		
At 1 July 2006 and 2005	79	79
Additions	1	–
At 30 June	80	79
Total	13,956	3,753

Company notes to the financial statements continued

33 Financial assets (continued)

Financial assets at fair value through profit or loss include the following

	2007 £000's	2006 £000's
Investment in funds	13,876	3 674

The Company has partially hedged against current financial assets (note 18) The carrying amounts of the Company's current and non-current financial assets are denominated in the following currencies

	2007 £000's	2006 £000's
US dollar	9,061	270
Euro	4,895	3,483
Total	13,956	3,753

Financial assets held at fair value are designated as such upon initial recognition The fair values of the investments in funds are determined by using the net asset valuation of the funds at the balance sheet date

These investments are held in relation to the "deferred compensation scheme" which is discussed in more detail in note 5 Financial assets of £3,674 000 have been reclassified from non-current assets to current assets in 2006

34 Trade and other receivables

	2007 £000 s	2006 £000 s
Amounts owed by related parties (note 25)	31,472	28,601
Other trade receivables	1,252	373
Amounts owed by subsidiaries (see note 43)	13	501
Prepayments and accrued income	2,966	2,096
Total amounts falling due within one year	35,703	31,571
Amounts falling due after more than one year		
Rent deposit	–	1 101
Total amounts falling due after more than one year	–	1,101

The Directors consider that the carrying amount of trade and other receivables are appropriate to their fair values

All non-current receivables are due within five years from the balance sheet date Trade and other receivables are denominated in the following currencies

	2007 £000 s	2006 £000's
Sterling	1,930	1,063
US dollar	21,232	20,207
Euro	12,513	10,118
Japanese yen	28	183
Total amounts falling due within one year	35,703	31,571
Sterling	–	1,101
Total amounts falling due after more than one year	–	1,101

35 Cash and cash equivalents

	2007 £000's	2006 £000's
Cash at bank and in hand	1,384	786
Short-term bank deposits	50,000	24,200
Total cash and cash equivalents	51,384	24 986

Cash and cash equivalents are denominated in the following currencies

	2007 £000's	2006 £000's
Sterling	50,192	24,511
US dollar	705	256
Euro	482	219
Japanese Yen	1	–
Other	4	–
Total	51,384	24,986

36 Trade and other payables

	2007 £000 s	2006 £000 s
Trade payables	302	322
Amounts owed to related parties (note 25)	–	154
Amounts owed to subsidiaries (see note 43)	229	3
Other tax and social security payable	516	318
Other creditors	2,859	1,825
Accruals	14,215	16,364
Total trade and other payables due within one year	18,121	18,986
Amounts falling due after more than one year		
Accruals	6,353	1,347
Total amounts due after more than one year	6,353	1 347

The Directors consider that the carrying amount of current trade and other payables are appropriate to their fair values

Amounts falling due after more than one year relate to costs accrued as part of the Group's deferred compensation plan £1,347,000 of costs accrued at 30 June 2006, which were previously disclosed as current liabilities, have been reclassified as non-current liabilities to reflect the period in which they vest

Other accruals totalling £2,386,000 have been reclassified from other creditors to accruals at 30 June 2006

Current trade and other payables are denominated in the following currencies

	2007 £000's	2006 £000 s
Sterling	8,922	8,206
US dollar	6,537	7,430
Euro	2,662	3,350
Total trade and other payables due within one year	18,121	18,986
Sterling	297	–
US Dollar	3,328	140
Euro	2,728	1,207
Total amounts due after more than one year	6,353	1,347

Company notes to the financial statements continued

37 Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2006 30%)

The movement on the deferred tax account is shown below

	2007 £000's	2006 £000's
At 1 July	(111)	(20)
Income Statement credit	(224)	(91)
At 30 June	(335)	(111)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these amounts will be recovered

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 as permitted by IAS 12) during the period are shown below

(a) Deferred tax assets

	Temporary differences £000's
At 1 July 2006	594
Deferred tax asset utilised	(16,338)
Deferred tax on share-based payments taken to equity	6 006
Deferred income tax taken to equity	16,444
At 30 June 2007	6,706

	Temporary differences £000 s
At 1 July 2005	137
Income Statement credit	91
Credit taken to equity	366
At 30 June 2006	594

The deferred tax income tax credited to equity during the year is as follows

	2007 £000's	2006 £000's
Share option scheme	22,450	366

Deferred income tax assets are recognised on the tax deduction available to the Company through the exercise of share options during the year

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

(b) Deferred tax liabilities

	Temporary differences £000's
At 1 July 2006	(117)
Income Statement expense	117
At 30 June 2007	–

	Temporary differences £000's
At 1 July 2005 and 30 June 2006	(117)

38 Derivative financial instruments

Details of the financial instruments disclosure in accordance with IAS 32 are given in note 18 to the Group Financial Statements

39 Share-based payments

Details of the share-based payments are given in note 19 to the Group Financial Statements

40 Share capital

	2007 £000's
Authorised	
250,000,000 ordinary shares of £0 001 each	250
Called up, allotted and fully paid	
190,372,500 ordinary shares of £0 001 each	190

	30 June 2006 £000's
Authorised	
600,000 ordinary 'A' class shares of £0 01 each	6
600,000 ordinary 'B' class shares of £0 01 each	6
303,900 ordinary 'C' class shares of £0 01 each	3
496 100 ordinary 'D' class shares of £0 01 each	5
	20
Called up, allotted and fully paid	
600 000 ordinary 'A' class shares of £0 01 each	6
600,000 ordinary 'B' class shares of £0 01 each	6
	12

Details of the shares are given in note 21 to the Group Financial Statements

41 Reserves

The Company's reserves are shown in the Company's Statement of Changes in Equity

42 Cash generated from operations

	2007 £000's	2006 £000's
Continuing operations		
Operating profit for the year	50,210	30,201
Adjustments for		
Financial assets at fair value	(250)	(211)
Derivatives at fair value	(3)	–
Share-based payments	687	81
Finance income	2,254	809
Finance expense	(47)	–
Depreciation	1,192	612
Amortisation of intangibles	328	137
Loss on disposal of property, plant and equipment	254	174
Loss on disposal of intangible assets	–	155
	4,415	1,757
Changes in working capital		
Increase in receivables	(2,789)	(18,542)
Increase in payables	4,213	12,686
Cash generated from operations	56,049	26,102

Company notes to the financial statements continued

43 Related party transactions

The Company provides related party disclosures in note 25 to its Group Financial Statements Where the Company's transactions differ from those of the Group, these are shown below

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

Description of relationship	Description of service	Description of transactions
Subsidiary undertakings	Transfer pricing agreement	10% commission rate on expenses
	Provision of financial support	Cash transfers from the Company to its subsidiaries

(i) Purchases of services during the financial year

	2007 £000's	2006 £000's
Fee charged by subsidiary undertakings	2,838	916
Reimbursement of capital	7	3

Year end balances arising during the financial year

	2007 £000's	2006 £000's
Receivable from subsidiary undertakings	13	501
Payable to subsidiary undertakings	229	3

(b) Transactions and balances during the year with entities who were related parties up to the date of Listing

Description of relationship	Description of service	Description of transactions
Exiting shareholder	Range of banking services on normal third party terms to the Group companies	Interest income received Cash held on account (i)

(i) Income received during the year

	2007 £000's	2006 £000's
Interest received	2,197	733

Income received up to the date of Listing was £767,000

Balances as at the year end

	2007 £000's	2006 £000's
Cash held on account	51,315	24,937

Cash held on account at the date of Listing was £34,026,000

Shareholder and Company Information

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Dates for 2007 dividend

Ex dividend date	24 October 2007
Record date	26 October 2007
AGM	14 November 2007
Payment date	23 November 2007

Annual General Meeting
The AGM will be held at 11 00 am on Wednesday 14 November 2007
at Sofitel St James, 6 Waterloo Place, London SW1Y 4AN

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BlueBay Asset Management plc
Annual Report 2007

Erratum

The Basic Earnings per share for 2007 was misstated in the above document. It should have read 29.3p instead of the 25 0p that was stated.

The Diluted Earnings per share number was correctly reported at 18.5p.

The Company published the above correction by RNS on 19 October 2007.