BlueBay
Asset Management

BlueBay Asset Management (Services) Ltd

Annual report and financial statements

For the year to 31 October 2013

Registered number: 03262598

RBC Global
Asset Management

Contents

Strategic Report

The Directors present their strategic report of BlueBay Asset Management (Services) Ltd ("the Company") for the year ended 31 October 2013.

Business Review

Operating profit for the year was £71,665,000 compared with a loss of (£762,000) in the previous year.

The Company received dividends from subsidiaries of £10,156,000 during the year. No dividends were received from subsidiaries in the previous year. During the year ended 31 October 2013, the Company paid £45,000,000 of dividends to RBC (year ended 31 October 2012: nil).

Profit for the year attributable to ordinary equity shareholders was £64,441,000 compared with £24,869,000 in the previous year.

Principal Activity

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

The Company is also the parent of BlueBay Asset Management International Limited, a company incorporated in the United Kingdom which is the holding company for BlueBay group companies domiciled outside of the United Kingdom (see note 21).

Prior to 2 April 2012, the Company provided investment management and advisory services to institutions and high net worth individuals. On 2 April 2012, the Company contributed its investment management and advisory business to BBAM LLP.

Financial Risks

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

Liquidity risk is the risk that the Company may be unable to meet its payment obligations as they fall due. Liquidity risk is mitigated by the fact that the Company has no debt and maintains sufficient cash levels.

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

Going Concern

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

Key Performance Indicator

As a corporate member, the Company's performance is dependent on the level of profit allocations from BBAM LLP. In 2013, allocations were £93,755,000 (2012: £33,033,000). The Directors do not consider further KPI's to be relevant to gain an understanding of the business.

Outlook

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

Mick Williams
24th June 2014

Directors' Report

The Directors submit their report together with the audited Financial Statements for the year ended 31 October 2013 as required by the Companies Act 2006.

Called up share capital
As at 31 October 2013, the called up capital of the Company consisted of 198,635,001 shares of £0.001 each.

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

Directors
The Directors who served during the year and up to the date of signing the financial statements were as follows:
Nick Williams (Executive Director) - Served throughout the year
Alex Khein (Executive Director) - Served throughout the year
John Roberts (Independent Non Executive Director – Chairman) – Served throughout the year
John Montalbano (Non Executive Director) – Served throughout the year
Katherine Gibson (Non Executive Director) – Served throughout the year

None of the Directors held any share capital of the Company at 31 October 2013 (year ended 31 October 2012: none).

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

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

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

Deloitte LLP has expressed their willingness to continue in office as auditor.

By the order of the Board of BlueBay Asset Management (Services) Ltd on 24th June 2014.

Director: **Nick Williams**
Date: 24th June 2014

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

We have audited the financial statements of BlueBay Asset Management (Services) Ltd for the year ended 31 October 2013 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, the Significant Accounting Policies and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Independent Auditor's Report to the members of BlueBay Asset Management (Services) Ltd (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Garrath Marshall (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
24th June 2014

Income Statement

	Notes	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Other income	3	96,979	36,293
Other expenses	3	(1,133)	(364)
Administrative expenses	2	(24,181)	(36,691)
Operating profit/(loss)		**71,665**	**(762)**
Finance income	6	279	243
Dividends received		10,156	-
Profit/(loss) on ordinary activities before taxation		**82,100**	**(519)**
Taxation	7	(17,659)	(382)
Profit/(loss) from continuing operations attributable to ordinary equity shareholders		**64,441**	**(901)**
Discontinued Operations			
Profit for the year from discontinued operations attributable to ordinary equity shareholders	23	-	**25,770**
Profit for the year attributable to ordinary equity shareholders		**64,441**	**24,869**

The significant accounting policies and notes on pages 14 to 43 are an integral part of these Financial Statements.

All results during the financial year were from continuing operations.

Statement of Comprehensive Income

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Profit for the year	**64,441**	**24,869**
Items that may subsequently reclassified to profit or loss:		
Other comprehensive income:		
Unrealised gains on available-for-sale investments	2,573	7,139
Realised (gains) transferred to income on available-for-sale investments	(3,246)	(1,436)
Current tax on available-for-sale investments	568	(1,380)
Total comprehensive income for the year: net of tax, attributable to owners of the parent	**64,336**	**29,192**

The significant accounting policies and notes on pages 14 to 43 are an integral part of these Financial Statements.

Balance Sheet

	Notes	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Assets			
Non-current assets			
Property, plant and equipment	10	1,073	200
Deferred tax asset	17	9,353	13,186
Trade and other receivables	14	350	1,934
Investments in subsidiaries	13	48,833	48,778
Total non-current assets		59,609	64,098
Current assets			
Trade and other receivables	14	46,636	42,052
Financial assets	12	58,000	64,333
Cash and cash equivalents	15	76,589	43,888
Total current assets		181,225	150,273
Total assets		**240,834**	**214,371**
Liabilities			
Non-current liabilities			
Trade and other payables	16	2,009	10,007
Total non-current liabilities		2,009	10,007
Current liabilities			
Trade and other payables	16	29,683	13,029
Current tax liabilities		6,177	10,490
Total current liabilities		35,860	23,519
Total liabilities		**37,869**	**33,526**

The significant accounting policies and notes on pages 14 to 43 are an integral part of these Financial Statements.

Balance Sheet (continued)

	Notes	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Shareholders' equity			
Called up share capital	19	199	199
Share premium	19	33,906	33,906
Retained earnings		165,994	143,769
Other components of equity		2,866	2,971
Total shareholders' equity		**202,965**	**180,845**
Total equity and liabilities		**240,834**	**214,371**

The significant accounting policies and notes on pages 14 to 43 are an integral part of these Financial Statements.

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

The Financial Statements on pages 8 to 43 were approved by the Board of Directors and authorised for issue on 24th June 2014 and signed on its behalf by:

Director: **Nick Williams**

Statement of Changes in Shareholders' Equity

	Notes	Called up share capital	Share premium	Retained earnings	Available for sale securities	Total
		£000s	£000s	£000s	£000s	£000s
Balance at 1 November 2012		**199**	**33,906**	**143,769**	**2,971**	**180,845**
Profit for the year		-	-	64,441		64,441
Unrealised gains on available-for-sale investments		-	-	-	2,573	2,573
Realised gains on available-for-sale investments transferred to income		-	-	-	(3,246)	(3,246)
Current tax on available-for-sale investments		-	-	-	568	568
Share-based payments		-	-	2,729	-	2,729
Capital contribution to subsidiaries		-	-	55	-	55
Dividends paid to RBC				(45,000)	-	(45,000)
Balance at 31 October 2013		**199**	**33,906**	**165,994**	**2,866**	**202,965**

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

The significant accounting policies and notes on pages 14 to 43 are an integral part of these Financial Statements.

Cash Flow Statement

For the year ended 31 October 2013

	Notes	Year ended 31 October 2013 £000's	Year ended 31 October 2012 £000's
Cash flows from operating activities			
Cash generated from operations	20	76,878	16,724
Taxation paid		(17,571)	(3,600)
Net cash generated from operating activities		59,307	13,124
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(1,008)	(223)
Disposal of property, plant and equipment	10	-	16
Purchase of non-current investments		-	(705)
Purchase of current investments	12	(39,300)	(35,618)
Sale of current investments	12	48,267	23,642
Capital contribution made to subsidiaries		-	(41,561)
Net cash used in investing activities		7,959	(54,448)
Cash flows from financing activities			
Return of funds from Employee Benefit Trust		-	3,277
Dividends paid to RBC	8	(45,000)	-
Dividends received from BBAMI		10,156	-
Interest income	6	279	241
Net cash (used in)/ generated from financing activities		(34,565)	3,518
Net increase/(decrease) in cash		32,701	(37,806)
Cash at beginning of the year		43,888	81,694
Cash at end of the year		76,589	43,888

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

The significant accounting policies and notes on pages 14 to 43 are an integral part of these Financial Statements.

Significant Accounting Policies

Basis of accounting

BlueBay Asset Management (Services) Ltd ("the Company") is a limited company and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company's registered office is 77 Grosvenor Street, London, W1K 3JR.

The Profit Allocation from BBAM LLP is included in Other Income.

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

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

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

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

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

d) Impact of new accounting standards
The following Standards or Interpretations have been adopted in the current period. Their adoption has not had any impact on the amounts reported in these financial statements and is not expected to have any impact on future financial periods:

IAS 1 Presentation of Financial Statements - amendments to revise the way other comprehensive income is presented effective for annual periods beginning on or after 1 July 2012.

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

At the date of authorisation of these financial statements the following Standards and Interpretations have been issued, but are not yet effective (and in some cases had not been adopted by the EU):

IAS 1 Presentation of Financial Statements (annual amendments effective for annual periods beginning on or after 1 January 2013).

IFRS 7 Financial Instruments: Disclosures - amendments enhancing disclosures about offsetting of financial assets and financial liabilities effective for annual periods beginning on or after 1 January 2013 and interim periods within those periods.

IFRS 12 Disclosure of Interests in Other Entities - amendments for investment entities effective for the annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation - amendments to application guidance on the offsetting of financial assets and liabilities effective for annual periods beginning on or after 1 January 2014.

These Standards and Interpretations are not expected to have a material impact on the financial statements but may require additional disclosure in future accounting periods.

The Directors believe that other pronouncements which are in issue but are not yet operative or adopted by the Company will not have a material impact on the financial statements of the Company.

Significant Accounting Policies (continued)

f) Critical accounting estimates and judgements

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

g) Intangible assets

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

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

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

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

Computer software licences and development costs	3-5 years

h) Property, plant and equipment

All property, plant and equipment is shown at cost, less accumulated depreciation and any recognised impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenditures are charged to the Income Statement during the financial period in which they are incurred.

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

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

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

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

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

Significant Accounting Policies (continued)

i) Financial assets

(i) Classification

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

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

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

(ii) Recognition and Measurement

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

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

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

Significant Accounting Policies (continued)

(iii) Fair value option

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

Financial instruments designated as at FVTPL using the fair value option are recorded at fair value and any unrealised gain or loss arising due to changes in fair value is included as Trading revenue. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.

k) Investments in subsidiaries

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

l) Trade receivables

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

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) Trade and other payables

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

o) Provisions

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

p) Income recognition

(i) Revenue

Revenue comprises the fair value for the provision of Investment Management services for the period from the beginning of the previous financial year to the date the Company's investment management business was transferred to BBAM LLP, net of any value added tax, rebates and discounts. Revenue is recognised as follows:

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

b) Performance fees – are calculated by reference to the appreciation in the net asset value of the relevant fund during the performance period. Performance fees are only recognised once they can be measured reliably. The Company can only reliably measure a performance fee when the net asset value of the relevant fund can be accurately calculated for the end of the performance fee period. Performance fees are not recognised where performance fee periods end after the Company's Balance Sheet date, since the net asset value could move significantly between these two dates, as a result of market movements.

Significant Accounting Policies (continued)

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

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

r) Commission payments
Prior to the transfer of the investment management business to BBAM LLP, the Company operated a number of distribution agreements. Commission payments made to intermediaries for ongoing services under these distribution agreements are charged to the Income Statement as a cost of sale in the period in which the service is provided. There are no arrangements where commission payments are not for ongoing services.

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 Company's leases are operating leases and the rental charges are included in the Income Statement on a straight-line basis over the term of the lease.

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

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

(ii) Deferred compensation scheme
Prior to the transfer of the Investment Management business to BBAM LLP, the Company also operated a deferred compensation scheme for certain employees under which a portion of an employee's bonus is invested in units in funds managed by the Company. Following the transfer of the Business to BBAM LLP, the Company retained the liability for these awards.

For awards made prior to March 2012, the amount invested in the nominated fund is initially recognised as a prepayment when the fund units are acquired. This prepayment is subsequently released over the vesting period as the charge for the deferred compensation scheme is recognised in the Income Statement

Units in the funds are purchased by and held in the name of a nominee company for the benefit of relevant employees. Such units are not included in the Company Financial Statements. Units are subject to forfeiture provisions. As and when units are forfeited, the relevant prepayment is reclassified to a financial asset. In certain circumstances, the Company may also acquire fund units from employees on vesting. The purchases of such units are recognised as a financial asset (see note 12). Prior to its acquisition by RBC, the Company operated equity settled, share based compensation plans. On 17 December 2010, all unvested equity awards were purchased by RBC and the proceeds used to make new awards, on the same vesting terms under the Deferred Compensation Scheme.

Significant Accounting Policies (continued)

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

u) Foreign currency translation

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

(ii) Transactions and balances
Foreign currency transactions are translated into the Company's functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in other income / expense in the Income Statement.

v) Taxation

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

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

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

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

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

w) Dividend distribution

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

x) Share capital and share premium

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

y) Capital contribution to employees of overseas subsidiaries

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

Significant Accounting Policies (continued)

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

As the transfer of the investment management and advisory business undertaken in the year ended 31 October 2012 was a transaction between entities under common control, RBC being the ultimate controlling party, the transaction is outside the scope of IFRS 3 Business Combinations and the acquisition method of accounting is not required. The Company retains the right to receive a profit allocation from BBAM LLP which is equivalent to the profits it would have earned if it had not transferred the business. Additionally, under BBAM LLP's Partnership Agreement the Company retains the economic interest in the assets and liabilities transferred. As there is no change in the Company's or RBC's economic interest in the profits or the assets of the business following the transfer the Company has determined it is appropriate to apply Merger Accounting to the transaction and record the transfer of assets and liabilities at Net Book Value with no gain or loss being recognised.

Notes to the financial statements

1. Revenue

Revenue in the prior year is attributable to the provision of investment management and advisory services by the Company to institutions and high net worth individuals. On 2 April 2012, the Company's Investment Management business was transferred to BlueBay Asset Management LLP. As a result, there is no revenue attributable to the provision of investment management and advisory services in the financial year ended 31 October 2013.

The geographical breakdown of revenue is as follows:

	Year ended 31 October 2013 £000s	Discontinued Operations Year ended 31 October 2012 £000s
Europe		
Luxembourg	-	40,691
United Kingdom	-	909
Other Europe	-	5,341
The Americas		
Cayman Islands	-	11,796
United States of America	-	406
Rest of the World	-	377
	-	59,521

2. Administrative expenses

	Notes	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
The following items have been included in administrative expenses:			
Staff costs	4	17,585	27,326
Depreciation	10	135	1,129
Other operating lease rentals paid:			
Property		4,148	3,851

Notes to the financial statements (continued)

Audit and non-audit fees

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Fees payable to the Company's auditor for the audit of the Financial Statements	50	165
Total auditor's remuneration	50	165

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

3. Other income and expenses

Other income includes the following items:	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Realised gains on available-for-sale investments	3,246	1,436
Gains on financial assets designated at fair value through profit and loss	61	-
Shares forfeited by former employees	-	1,824
Profit allocation from BBAM LLP	93,672	33,033
Total other income	96,979	36,293
Other expenses include the following items:		
Bank interest payable	(2)	-
Net foreign exchange differences recognised	(1,131)	(41)
Losses on financial assets designated as at fair value through profit and loss	-	(323)
Total other expenses	(1,133)	(364)

Amounts relating to discontinued operations are included in note 22. Fair value losses recognised on financial assets designated as at fair value through profit and loss relate to fund units which were previously awarded under the deferred compensation scheme and which have since been forfeited by and/or acquired from employees.

4. Staff costs

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Reward Plan	-	-
Social security costs	2,694	2,787
Deferred Bonus Compensation	14,891	24,539
Total staff costs	17,585	27,326

Included within social security costs is (£163,000) in relation to employee share-based payment schemes (re-awarded into fund units) (2012: £896,000) and £2,403,000 (2012: £1,892,000) in relation to social security costs associated with the deferred compensation scheme.

Notes to the financial statements (continued)

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

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

The average number of persons employed by the Company during the financial year ended 31 October 2013 was as follows:

	Year ended 31 October 2013 £000s	Year ended 31 October 2012* £000s
Investment Management	-	69
Distribution	-	35
Infrastructure	-	155
Total average number of employees	-	259

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

5. Directors' remuneration

There were no fees paid to non-executive Directors during the year ended 31 October 2013. From 1 April 2012, all fees to non-executive Directors were paid by BlueBay Asset Management LLP.

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Fees	-	46

6. Finance income

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Finance income:		
Interest on cash and cash equivalents	279	243

Notes to the financial statements (continued)

7. Taxation

Analysis of charge in the period:

	Year ended 31 October 2013 £000s	Continuing Operations Year ended 31 October 2012 £000s	Discontinued Operations Year ended 31 October 2012 £000s
Current tax:			
UK corporation tax on profits for the year	13,442	4,308	8,581
Adjustments to tax charge in respect of previous periods	384	(1,833)	-
Total current tax	13,826	2,475	8,581
Deferred tax:			
Origination and reversal of temporary differences	3,539	(4,046)	(5)
Adjustments in respect of previous years	(470)	842	(27)
Adjustment in respect of change in tax rate	764	1,111	7
Total deferred tax	3,833	(2,093)	(25)
Total tax expense	**17,659**	**382**	**8,556**

The effective UK tax rate for the Company for the period ended 31 October 2013 is 23.42% (2012: 24.83%).

Notes to the financial statements (continued)

A number of changes to the UK Corporation tax system were announced in the March 2013 Budget Statement. The Finance Act 2013, which received Royal Assent on 17 July 2013, includes legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014. As the 23% rate was substantively enacted by balance sheet date, the deferred tax asset has been restated to 21% to the extent that it is expected to reverse post 1 April 2014. Deferred tax assets reversing prior to 1 April 2014 have been recognised at 23%.

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

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Profit/(loss) on ordinary activities before tax	82,100	(520)
Theoretical tax charge at UK rate of 23.42% (2012: 24.83%)	19,227	(129)
Effects of:		
Expenses not deductible for tax purposes	154	198
Ineligible depreciation	32	249
Capital items in revenue	-	13
Research and development tax credits	(54)	(69)
Adjustment in respect of previous period	(86)	(991)
Effect of change in tax rates	764	1,111
Non-taxable dividend received from BBAMI	(2,378)	-
Total tax expense	**17,659**	**382**

8. Dividends

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Dividends declared during the year		
Dividend paid to parent	45,000	-

Notes to the financial statements (continued)

9. Financial risk management

(a) Credit risk management

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

Financial assets subject to credit risk are:

	Notes	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Cash and cash equivalents	15	76,589	43,888
Total excluding trade receivables		76,859	43,888
Other trade receivables	14	-	734
Total trade receivables		-	734
Total		76,589	44,622

(i) Counterparty credit rating

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

31 October 2013	A or better %	Not rated %
Cash and cash equivalents	100	-
Other trade receivables	-	-

31 October 2012	A or better %	Not rated %
Cash and cash equivalents	100	-
Other trade receivables	-	100

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

Amounts owed by related parties and other trade receivables relate to management and performance fees owed by funds and segregated mandates managed by the Company prior to the transfer of the Investment Management business to BBAM LLP. The ageing profile of amounts owed by these counterparties at the end of the period is as follows:

	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Not older than 30 days	-	-
Older than 30 days not older than 60 days	-	-
Older than 60 days not older than 90 days	-	-
Older than 90 days but not older than 120 days	-	734
Older than 120 days but not older than 180 days	-	-
Older than 180 days	-	-
Total	-	734

Notes to the financial statements (continued)

(iii) Concentrations of credit risk

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

	As at 31 October 2013 £000s	As at 31 October 2012 £000s
AA-[1] rated bank	50,000	43,888
A rated bank	26,589	-

[1] Standard & Poor's ratings

The amount of these exposures can change significantly each month.

(b) Market risk management

(i) Investment risk

The Company has investments in funds managed by BBAM LLP within current financial assets as described in note 12. Both financial assets designated as fair value through profit and loss and available-for-sale financial assets are stated at market value based off their most recently publish net asset value on the balance sheet. The Company is exposed to fluctuations in these net asset values.

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

In respect of current financial assets treated as available-for-sale at 31 October 2013 a 100 basis point strengthening / (weakening) of the net asset valuation of the funds, with all other variables held constant, would have resulted in a fair value adjustment of +/- £283,000 (2012: £643,000), with a corresponding impact on Comprehensive Income.

Notes to the financial statements (continued)

(ii) Foreign exchange risk

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

As at 31 October 2013:

Financial assets

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Cash and cash equivalents	14	76,277	177	134	1	76,589
Trade and other receivables greater than one year	13	350	-	-	-	350
Trade and other receivables less than one year	13	46,107	334	195	-	46,636
Current financial assets	12	48,870	8,402	728	-	58,000
Total financial assets		171,604	8,913	1,057	1	181,575

Financial liabilities

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Trade and other payables greater than one year	15	2,009	-	-	-	2,009
Trade and other payables due within one year	15	29,683	-	-	-	29,683
Total financial liabilities		31,692	-	-	-	31,692

As at 31 October 2012:

Financial assets

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Cash and cash equivalents	14	42,857	396	633	2	43,888
Trade and other receivables greater than one year	13	1,934	-	-	-	1,934
Trade and other receivables less than one year	13	41,831	95	-	126	42,052
Current financial assets	12	55,858	7,810	665	-	64,333
Total financial assets		142,480	8,301	1,298	128	152,207

Notes to the financial statements (continued)

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

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

The Company estimates, by recalculating the balance sheet values of financial assets and liabilities denominated in foreign currencies, that at 31 October 2013, if the foreign currency rates applicable to the Company's financial assets and liabilities strengthened / (weakened) by 100 basis point against sterling, with all other variables held constant, pre-tax profit for the year would have increased/(decreased) by £92,000/(£94,000) respectively, principally as a result of the (decrease)/increase in assets and liabilities denominated in foreign currencies (2012: pre tax profit will have (decreased)/ increased by (£84,000)/£86,000 respectively).

(iii) Interest rate risk

Interest rate risk is the risk arising from unexpected or untoward movements in interest rates. The Company's monetary assets earn interest at 10 to 20 basis points below the base rate. The principal interest rate risk is the risk that the Company will sustain a reduction in interest revenue through adverse movements in interest rates. This relates to bank deposits held in the ordinary course of business.

At 31 October 2013, if interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the period would have been £726,000 higher (2012: £618,000 higher), mainly as a result of higher interest on average cash balances. The interest rate received on the Company's bank deposits would need to fall by 42 basis points to eliminate any interest income received during the current financial year, resulting in post-tax profit £279,000 lower (2012: £242,000 lower). These figures are calculated by adjusting actual interest received during the period to reflect the assumed interest rate above.

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

(c) Liquidity risk management

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

(i) Financial assets and liabilities

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

Notes to the financial statements (continued)

Financial assets	Notes	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Cash and cash equivalents	14	76,589	43,888
Current financial assets	12	58,000	64,276
Trade receivables	13	46,636	734
Total financial assets		181,225	108,898

Financial liabilities	Notes	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Trade and other payables	15	29,683	15,382

The Company's total financial assets exceed its total financial liabilities by 6.1:1 (2012: 7.1:1).

(ii) Commitments

a) Operating leases

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

	As at 31 October 2013 Leasehold property £000s	As at 31 October 2012 Leasehold property £000s
Commitments under non-cancellable operating leases expiring:		
Within one year	5,002	4,105
Later than one year and less than five years	20,009	16,421
After five years	17,785	18,645
Total	42,796	39,171

	As at 31 October 2013 Computer software £000s	As at 31 October 2012 Computer software £000s
Commitments under non-cancellable operating leases expiring:		
Within one year	-	454
Later than one year and less than five years	-	-
Total	-	454

b) Capital commitments and contingent liabilities

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

Notes to the financial statements (continued)

(d) Classes of financial instruments

As at 31 October 2013:

	Notes	Financial assets at amortised cost £000s	Financial assets Available for Sale £000s	**Total £000s**
Financial assets				
Cash and cash equivalents	15	76,589	-	76,589
Current financial assets	12	-	58,000	58,000
Total financial assets		76,589	58,000	134,589

	Notes	Financial liabilities at amortised cost £000s	**Total £000s**
Financial liabilities			
Trade and other payables due within one year	16	29,683	29,683

As at 31 October 2012:

	Notes	Financial assets at amortised cost £000s	Financial assets Available for Sale £000s	Financial assets at fair value through profit or loss £000s	**Total £000s**
Financial assets					
Cash and cash equivalents	14	43,888	-	-	43,888
Non-current financial assets	12	-	-	48,778	48,778
Current financial assets	12	-	64,276	-	64,276
Trade and other receivables	13	734	-	-	734
Total financial assets		44,622	64,276	48,778	157,676

	Notes	Financial liabilities at amortised cost £000s	**Total £000s**
Financial liabilities			
Trade and other payables due within one year	15	15,382	-

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

Notes to the financial statements (continued)

(e) Capital management

The Company uses its capital to support the growth of the business, to provide it with a cushion to shield it from adverse market conditions and to ensure that it is at all times able to meet any regulatory capital requirements arising from its subsidiaries.

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

Once these requirements have been met, available capital may be used to pay dividends to shareholders, to provide funding for new business initiatives and to provide seed capital for new funds.

Notes to the financial statements (continued)

10. Property, plant and equipment

	Leasehold improvements	Furniture fixtures and fittings	Information and communication technology equipment	Total
	£000s	£000s	£000s	£000s
Cost				
At 31 October 2011	5,880	774	2,202	8,856
Additions	22	13	188	223
Disposals	-	-	(16)	(16)
Transferred to BBAM LLP	-	(787)	(2,374)	(3,161)
At 31 October 2012	5,902	-	-	5,902
Additions	1,008	-	-	1,008
Disposals	-	-	-	-
At 31 October 2013	6,910	-	-	6,910
Accumulated Depreciation				
At 1 November 2011	4,573	712	1,626	6,911
Depreciation charge	1,129	12	155	1,296
Transferred to BBAM LLP	-	(724)	(1,781)	(2,505)
At 31 October 2012	5,702	-	-	5,702
Depreciation charge	135	-	-	135
At 31 October 2013	5,837	-	-	5,837
Net book amount as at 31 October 2013	1,073	-	-	1,073
Net book amount as at 31 October 2012	200	-	-	200

At 31 October 2013 and 31 October 2012, none of the above assets were held under finance leases.

Notes to the financial statements (continued)

11. Intangible assets

	Licences
	£000s
Cost	
At 1 November 2011	2,514
Additions	-
Transferred to BBAM LLP	(2,514)
At 31 October 2012	-
Additions	-
At 31 October 2013	-
Amortisation	
At 1 November 2011	2,152
Amortisation in the year	106
Transferred to BBAM LLP	(2,258)
At 31 October 2012	-
Amortisation in the period	-
At 31 October 2013	-
Net book amount as at 31 October 2012	-
Net book amount as at 31 October 2013	-

Notes to the financial statements (continued)

12. Financial assets

Fair value through profit or loss:		
At 1 November 2012 and 1 November 2011	-	1,175
Additions	-	80
Fair value adjustment	61	(302)
Disposals	(61)	(953)
At 31 October 2013 and 2012	-	-
Available for sale:		
At 1 November 2012 and 1 November 2011	64,333	44,344
Additions	39,300	35,539
Unrealised gains on available-for-sale investments	2,573	7,139
Disposals	(48,206)	(22,689)
At 31 October 2013 and 2012	58,000	64,333
Total	58,000	64,333

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

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

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

The measurement of financial assets can be analysed as follows:

31 October 2013	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total
Fair value through profit and loss	-	-	-	-
Available-for-sale	-	58,000	-	58,000

31 October 2012	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total
Fair value through profit and loss	-	-	-	-
Available-for-sale	-	64,333	-	64,333

For financial assets and liabilities where it has been determined that the carrying value is equal to the fair value, these have been specifically excluded from the fair value hierarchy above.

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

Notes to the financial statements (continued)

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

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Level 3 non current financial assets		
At 1 November 2012 and 1 November 2011	-	832
Gains included in profit for the year	61	121
Disposals	(61)	(953)
At 31 October 2013 and 2012	-	-

13. Investments in Subsidiaries

	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Cost less impairment:		
At 1 November 2012 and 1 November 2011	48,778	5,969
Additions	-	42,706
Capital contributions made to subsidiaries	55	103
At 31 October 2013 and 2012	48,833	48,778

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

Notes to the financial statements (continued)

14. Trade and other receivables

	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Other trade receivables	-	734
Other receivables	2,415	3
Other related party receivables	-	142
Amounts owed by affiliates	41,383	33,766
VAT receivable	382	234
Prepayments	967	920
Prepayments – deferred compensation scheme	1,489	6,253
Total amounts falling due within one year	46,636	42,052
Prepayments – deferred compensation scheme	350	1,934
Total amounts falling due after more than one year	350	1,934

15. Cash and cash equivalents

	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Cash at bank and in hand	76,589	43,888
Total cash and cash equivalents	76,589	43,888

Notes to the financial statements (continued)

16. Trade and other payables

	Notes	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Amounts owed to affiliates		2,145	8,657
Other tax and social security payable		1,551	2,774
Other payables		564	388
Payable to affiliate for tax losses		10,789	-
Accruals		14,634	1,210
Total trade and other payables due within one year		29,683	13,029
Accruals		2,009	10,007
Total amounts due after more than one year		2,009	10,007

17. Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using an effective tax rate of 23% for amounts which are expected to reverse before 1 April 2014, and 21% for amounts which are expected to reverse after that date (2012: 24% or 23%).

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

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

(a) Deferred tax assets

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

	Temporary differences £000s
At 1 November 2012	13,186
Income Statement credit	(3,539)
Prior year adjustment	470
Adjustments for changes in tax rates	(764)
At 31 October 2013	9,353

Notes to the financial statements (continued)

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

An analysis of the deferred tax asset is as follows:

	As at 31 October 2013 £000s	As at 31 October 2012 £000s
Accelerated depreciation for tax purposes	566	596
Deferred compensation scheme	6,074	8,488
Difference due to allocation of taxable profits BlueBay Asset Management LLP	2,713	4,102
Total deferred tax asset	9,353	13,186

18. Share-based payments

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

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

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

Notes to the financial statements (continued)

As a result of the modification of the share based awards the fair value of the award was adjusted by the difference between the price at which RBC acquired unvested shares held in the Company's Employee Benefit Trusts and the fair value of the share based payment on grant date. The resulting increase in the expense of these awards was spread over the period from 17 December 2010 to the vesting date of the award. These awards have now fully vested, therefore there was no charge in the current year (2012: £1,769,000) to the Company Income Statement in respect of modified equity settled share based transactions.

19. Called up share capital

	Number of shares	Ordinary shares £000s	Share premium £000s
At 1 November 2011	198,635,001	199	33,906
At 1 November 2012	198,635,001	199	33,906
At 31 October 2013	**198,635,001**	**199**	**33,906**

	31 October 2013 Number	31 October 2012 Number	31 October 2013 £000s	31 October 2012 £000s
Allotted, called up and fully paid				
Ordinary shares of £0.001 each	198,635,001	198,635,001	199	199

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

Notes to the financial statements (continued)

20. Cash generated from operations

	Year ended 31 October 13 £000s	Year ended 31 October 12 £000s
Operating profit for the period	71,665	33,565
Adjustments for:		
Financial assets at fair value	(3,307)	(1,134)
Gain on shares forfeited by former employee	-	(1,825)
Share-based payments	2,729	11,286
Depreciation	135	1,296
Amortisation of intangibles	-	106
	(443)	9,729
Changes in working capital:		
Increase in receivables	(3,000)	(8,204)
Increase in payables	8,656	(18,366)
	5,656	(26,570)
Cash generated from operations	**76,878**	**16,724**

Notes to the financial statements (continued)

21. Related party transactions

The following transactions were carried out with related parties:

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

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

Description of relationship	Description of service	Description of transactions
The Company is a partner of BBAM LLP, it has 51% voting rights.	Profit share due from BBAM LLP.	Profit share from LLP for the period 1 April, 2013 to 31 March, 2014.
RBC Europe Limited ("RBCEL") is an affiliate of BBAM Services.	Cash is held on deposit with RBCEL, and there is tax payable to RBCEL.	Interest is received from RBCEL for the £50,000,000 that is held on deposit, and there is an amount payable to RBCEL of £10,789,000 for tax losses surrendered in the year.
BBAM Services is the parent of BBAMI.	Provision of financial support.	Receipt of dividend from BBAMI.
RBC is the parent of BBAM Services.	Parent undertaking.	Payment of dividend to RBC.

Sales of services during the financial year/period ended:

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Investment management and performance fees net of rebates and expense caps	-	49,977
Advisory fees from RBC	-	168

Trade and other payables:

	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Amount payable to RBCEL for tax losses surrendered in the year	10,789	-
Amounts owed to affiliates	2,145	8,657
Total	12,934	8,657

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

(b) Fees to directors

There was no compensation paid to directors in the financial year ended 31 October 2013 for their services to the Company. Please see note 5 for details.

Notes to the financial statements (continued)

22. Principal Company investments

The names of the principal investments of the Company, together with the Company's controlling interest and voting rights are given below. The company controls 51% of the voting rights in BBAM LLP and is entitled to 100% of net assets. BlueBay Asset Management International Limited and BBAM LLP are directly owned subsidiaries of the Company. The other subsidiaries are subsidiaries of BlueBay Asset Management International Limited.

	Country of incorporation	Effective Company interest %
Principal operating subsidiaries		
BlueBay Asset Management LLP	United Kingdom	51% voting rights / 100% net assets
BlueBay Funds Management Company S.A.	Luxembourg	100
BlueBay Asset Management International Limited	United Kingdom	100
BlueBay Asset Management USA LLC	United States of America	100
BlueBay Hong Kong Limited	Hong Kong	100

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

23. Discontinued operations

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

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

	Notes	Year ended 31 October 2013 £000s	Year ended 31 October 2012 £000s
Revenue		-	59,521
Cost of sales		-	(280)
Gross profit		-	59,241
Other income	3	-	-
Administrative expenses	2	-	(24,915)
Profit before tax		**-**	**34,326**
Attributable tax expense		-	(8,556)
Net profit attributable to discontinued operations		**-**	**25,770**

24. Parent company and ultimate controlling party

The Company's parent company is Royal Bank of Canada, incorporated in Canada, which is also the parent undertaking of the smallest and largest group which includes the company for which group accounts are prepared. Copies of the group financial statements of Royal Bank of Canada are available at Riverbank House, 2 Swan Lane, London EC4R 3BF. Group accounts are filed at Companies House.