BlueBay
Asset Management

BlueBay Asset Management (Services) Ltd

Annual report and financial statements

For the year to 31 October 2014

Registered number: 03262598

RBC Global
Asset Management

Contents

Strategic Report

The Directors present their strategic report of BlueBay Asset Management (Services) Ltd ("Company") for the year ended 31 October 2014.

Business Review

Operating profit for the year was £72,801,000 compared with a profit of £71,665,000 in the previous year.

The Company received dividends from subsidiaries of £13,107,000 during the year (year ended 31 October 2013: £10,156,000).

Profit for the year attributable to ordinary equity shareholders was £69,946,000 compared with £64,441,000 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 18).

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 2014, allocations were £91,470,000 (2013: £93,672,000). 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.

Nick Williams
23 June 2015

Directors' Report

The Directors submit their report together with the audited Financial Statements for the year ended 31 October 2014 as required by the Companies Act 2006.

Called up share capital
As at 31 October 2014, 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) – Resigned 3 January 2014
Erich Gerth (Executive Director) – Appointed 3 January 2014
John Roberts (Independent Non Executive Director – Chairman) – Served throughout the year
John Montalbano (Non Executive Director) – Served throughout the year, resigning 23 June 2015
Katherine Gibson (Non Executive Director) – Resigned 24 June 2014
Alan Gibbins (Non Executive Director) – Appointed 24 June 2014
Stephen Krag (Non Executive Director) – Appointed 24 June 2014

None of the Directors held any share capital of the Company at 31 October 2014 (year ended 31 October 2013: 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 23 June 2015.

Director: **Nick Williams**
Date: 23 June 2015

Statement of Director's 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 (www.bluebay.com). 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 2014 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 20. 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 2014 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
23 June 2015

Income Statement

	Notes	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Operating income – BBAM LLP profit allocation		91,470	93,672
Other income	2	67	61
Total income		91,537	93,733
Other gains and losses	2	(90)	3,246
Other expenses	2	(110)	(1,133)
Administrative expenses	1	(18,536)	(24,181)
Operating profit		**72,801**	**71,665**
Finance income	4	311	279
Dividends received	6	13,107	10,156
Profit on ordinary activities before taxation		**86,219**	**82,100**
Taxation	5	(16,273)	(17,659)
Profit for the year attributable to ordinary equity shareholders		**69,946**	**64,441**

The significant accounting policies and notes on pages 14 to 36 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 2014 £000s	Year ended 31 October 2013 £000s
Profit for the year	**69,946**	**64,441**
Items that may subsequently be reclassified to profit or loss:		
Other comprehensive income:		
Unrealised gains on available-for-sale investments	2,676	2,573
Realised losses/(gains) transferred to income on available-for-sale investments	90	(3,246)
Current tax on available-for-sale investments	(604)	568
Total comprehensive income for the year: net of tax, attributable to owners of the parent	**72,108**	**64,336**

The significant accounting policies and notes on pages 14 to 36 are an integral part of these Financial Statements.

Balance Sheet

	Notes	As at 31 October 2014 £000s	As at 31 October 2013 £000s
Assets			
Non-current assets			
Leasehold improvements	8	1,921	1,073
Deferred tax asset	14	4,825	9,353
Trade and other receivables	11	186	350
Investments in subsidiaries	10	48,833	48,833
Total non-current assets		55,765	59,609
Current assets			
Trade and other receivables	11	112,586	46,636
Securities	9	44,648	58,000
Cash and cash equivalents	12	98,349	76,589
Total current assets		255,583	181,225
Total assets		**311,348**	**240,834**
Liabilities			
Non-current liabilities			
Trade and other payables	13	2,786	2,009
Total non-current liabilities		2,786	2,009
Current liabilities			
Trade and other payables	13	29,403	29,683
Current tax liabilities		4,086	6,177
Total current liabilities		33,489	35,860
Total liabilities		**36,275**	**37,869**

The significant accounting policies and notes on pages 14 to 36 are an integral part of these Financial Statements.

Balance Sheet (continued)

	Notes	As at 31 October 2014 £000s	As at 31 October 2013 £000s
Shareholders' equity			
Called up share capital	15	199	199
Share premium	15	33,906	33,906
Retained earnings		235,940	165,994
Other components of equity		5,028	2,866
Total shareholders' equity		**275,073**	**202,965**
Total equity and liabilities		**311,348**	**240,834**

The significant accounting policies and notes on pages 14 to 36 are an integral part of these Financial Statements.

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

The Financial Statements on pages 8 to 36 were approved by the Board of Directors and authorised for issue on 23 June 2015 and signed on its behalf by:

Director: **Nick Williams**

Statement of Changes in Shareholders' Equity

	Called up share capital	Share premium	Retained earnings	Available for sale securities	Total
	£000s	£000s	£000s	£000s	£000s
Balance at 1 November 2013	**199**	**33,906**	**165,994**	**2,866**	**202,965**
Profit for the year	-	-	69,946	-	69,946
Unrealised gains on available-for-sale securities	-	-	-	2,676	2,676
Realised loss on available-for-sale securities transferred to income	-	-	-	90	90
Current tax on available-for-sale securities	-	-	-	(604)	(604)
Balance at 31 October 2014	**199**	**33,906**	**235,940**	**5,028**	**275,073**

	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 securities	-	-	-	2,573	2,573
Realised gains on available-for-sale securities transferred to income	-	-	-	(3,246)	(3,246)
Current tax on available-for-sale securities	-	-	-	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**

The significant accounting policies and notes on pages 14 to 36 are an integral part of these Financial Statements.

Cash Flow Statement

For the year ended 31 October 2014

	Notes	Year ended 31 October 2014 £000's	Year ended 31 October 2013 £000's
Cash flows from operating activities			
Cash generated from operations	16	7,998	76,878
Taxation paid		(14,441)	(17,571)
Net cash (used in)/generated from operating activities		(6,443)	59,307
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1,245)	(1,008)
Purchase of current investments	9	-	(39,300)
Sale of current investments	9	16,030	48,267
Net cash generated from investing activities		14,785	7,959
Cash flows from financing activities			
Return of funds from Employee Benefit Trust		-	3,277
Dividends paid	6	-	(45,000)
Dividends received	6	13,107	10,156
Interest income	4	311	279
Net cash generated from/(used in) financing activities		13,418	(34,565)
Net increase in cash		21,760	32,701
Cash at beginning of the year		76,589	43,888
Cash at end of the year		98,349	76,589

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 36 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 Company's principle activity is described in the Strategic Report on page 3.

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

The significant accounting policies applied in the preparation of the Financial Statements are summarised below. These policies have been consistently applied in the current year and prior 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 securities that are held at either fair value through profit or loss, or as available for sale. The Financial Statements have been prepared on a going concern basis.

b) Basis of consolidation
In accordance with the provisions of Section 401 of the Companies Act 2006 the company 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 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. This has had no effect on the preparation of the Financial Statements.

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):

IFRS 7 Financial Instruments: Disclosures - amendments from annual improvements to IFRSs: 2011-2013 effective for annual periods beginning on or after 1 January 2016.

IFRS 9 Financial Instruments – replacement of IAS 39 effective for annual periods beginning on or after 1 January 2018.

The Directors believe that the adoption of 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, except IFRS 9 will impact both the measurement and disclosure of financial instruments. It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

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

Depreciation is calculated using the straight-line method to reduce the cost of each asset to its residual value over five years.

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

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

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

h) Securities
(i) Classification

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

Current securities 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 securities treated as AFS relate to the purchase of units in funds managed by BBAM LLP. These assets include both fund units acquired on behalf of the Company and/or its subsidiaries to hedge liabilities arising under employee deferral compensation plans linked to fund performance and investments in new funds to enable the funds to establish a track record for marketing purposes.

(ii) Recognition and Measurement

Purchases and sales of securities are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Securities are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

FVTPL securities 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 securities designated as FVTPL are included in other income/expense in the Income Statement in the period in which they arise.

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

i) Investments in subsidiaries

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

j) 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.

k) 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.

l) Trade and other payables

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

m) 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.

n) Fair value estimation

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

o) 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.

Significant Accounting Policies (continued)

p) Employee benefits

(i) Deferred compensation scheme

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

For awards made prior to March 2012, the amount invested in the nominated fund was initially recognised as a prepayment when the fund units are acquired. This prepayment was subsequently released over the vesting period of the award.

Units in the funds were purchased by and held in the name of a nominee company for the benefit of relevant employees. Such units were not included in the Company Financial Statements. Units are subject to forfeiture provisions. As and when units were forfeited, the relevant prepayment was reclassified to a financial asset. In certain circumstances, the Company also acquired fund units from employees on vesting. The purchases of such units were recognised as securities (see note 9). 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.

(ii) For awards subsequent to March 2012, fund units are included in the Company financial statements within Available for Sale current securities (see note 9). The deferred bonus liability is accrued over the vesting period of the award within trade and other payables.

q) 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.

r) Taxation

(i) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in shareholders' equity or 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.

Significant Accounting Policies (continued)

s) Dividend distribution

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

t) Share capital and share premium

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

u) 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 securities, with a corresponding credit entry being made to retained earnings. The capital contribution recognised builds up over the vesting period. The capital contribution corresponds to the amounts recorded in respect of the share awards by the relevant subsidiaries in their individual financial statements.

Notes to the Financial Statements

1. Administrative expenses

The following items have been included in administrative expenses:	Notes	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Staff costs	3	9,891	17,585
Depreciation	8	397	135
Other operating lease rentals paid:			
Property		4,748	4,148

Audit and non-audit fees

	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Fees payable to the Company's auditor for the audit of the Financial Statements	39	50
Total auditor's remuneration	39	50

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

2. Other income and expenses

Other income includes the following items:	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Gains on financial assets designated at fair value through profit and loss	67	61
Total other income	67	61
Other gains and losses include the following items:		
Realised gains on available-for-sale securities	-	3,246
Realised loss on available-for-sale securities	(90)	-
Total other gains and losses	(90)	3,246
Other expenses include the following items:		
Bank interest payable	-	(2)
Net foreign exchange differences recognised	(110)	(1,131)
Total other expenses	(110)	(1,133)

Notes to the financial statements (continued)

3. Staff costs

	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Social security costs	1,145	2,694
Deferred bonus compensation	8,746	14,891
Total staff costs	9,891	17,585

4. Finance income

	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Finance income:		
Interest on cash and cash equivalents	311	279

5. Taxation

Analysis of charge in the period:

	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Current tax:		
UK corporation tax on profits for the year	12,054	13,442
Adjustments to tax charge in respect of previous periods	(309)	384
Total current tax	11,745	13,826
Deferred tax:		
Origination and reversal of temporary differences	4,014	3,539
Adjustments in respect of previous years	(121)	(470)
Adjustment in respect of change in tax rate	635	764
Total deferred tax	4,528	3,833
Total tax expense	**16,273**	**17,659**

The effective UK tax rate for the Company for the period ended 31 October 2014 is 21.83% (2013: 23.42%).

Notes to the financial statements (continued)

Legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015 was substantively enacted by balance sheet date; therefore the deferred tax asset has been restated to 20% to the extent that it is expected to reverse post 1 April 2015. Deferred tax assets reversing prior to 1 April 2015 have been recognised at 21%.

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 2014 £000s	Year ended 31 October 2013 £000s
Profit/(loss) on ordinary activities before tax	86,219	82,100
Theoretical tax charge at UK rate of 21.83% (2013: 23.42%)	18,821	19,227
Effects of:		
Expenses not deductible for tax purposes	69	154
Ineligible depreciation	63	32
Research and development tax credits	(24)	(54)
Adjustment in respect of previous period	(430)	(86)
Effect of change in tax rates	635	764
Non-taxable dividend received from BlueBay Asset Management International Limited ("BBAMI")	(2,861)	(2,378)
Total tax expense	**16,273**	**17,659**

6. Dividends

	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Dividends paid	-	(45,000)
Dividends received	13,107	10,156

Notes to the financial statements (continued)

7. Financial risk management

(a) Credit risk management

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

Financial assets subject to credit risk are:

	Notes	As at 31 October 2014 £000s	As at 31 October 2013 £000s
Cash and cash equivalents	12	98,349	76,589
Total		98,349	76,589

(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 2014	A[1] or better %	Not rated %
Cash and cash equivalents	100	-
Other trade receivables	-	-

31 October 2013	A[1] or better %	Not rated %
Cash and cash equivalents	100	-
Other trade receivables	-	-

[1] Standard & Poor's ratings

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 2014 £000s	As at 31 October 2013 £000s
AA-[1] rated bank	80,000	50,000
A rated bank	18,349	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 securities as described in note 9. Both securities designated as fair value through profit and loss and available-for-sale securities are stated at market value based on their most recently 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 securities treated as available-for-sale at 31 October 2014 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 +/- £273,940 (2013: £+/- £283,000), 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 2014:

Financial assets

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Cash and cash equivalents	12	97,696	88	564	1	98,349
Trade and other receivables greater than one year	11	186	-	-	-	186
Trade and other receivables less than one year	11	112,586	-	-	-	112,586
Current securities	9	44,390	252	6	-	44,648
Total financial assets		254,858	340	570	1	255,769

Financial liabilities

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Trade and other payables greater than one year	13	(2,786)	-	-	-	(2,786)
Trade and other payables due within one year	13	(28,591)	(812)	-	-	(29,403)
tal financial liabilities		(31,377)	(812)	-	-	(32,189)

As at 31 October 2013:

Financial assets

	Notes	Sterling £000s	US Dollar £000s	Euro £000s	Other £000s	Total £000s
Cash and cash equivalents	12	76,277	177	134	1	76,589
Trade and other receivables greater than one year	11	350	-	-	-	350
Trade and other receivables less than one year	11	46,107	334	195	-	46,636
Current securities	9	48,870	8,402	728	-	58,000
Total financial assets		171,604	8,913	1,057	1	181,575

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	13	(2,009)	-	-	-	(2,009)
Trade and other payables due within one year	13	(29,683)	-	-	-	(29,683)
Total financial liabilities		(31,692)	-	-	-	(31,692)

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 2014, 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 £97,927/(£99,905) respectively, principally as a result of the increased/(decrease) in assets and liabilities denominated in foreign currencies (2013: pre-tax profit will have increased/(decreased) by £92,000/(£94,000) 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 2014, if interest rates had been 100 basis points higher with all other variables held constant, post-tax profit for the period would have been £736,000 higher (2013: £726,000 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 43 basis points to eliminate any interest income received during the current financial year, resulting in post-tax profit £311,000 lower (2013: £279,000 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 2014 £000s	As at 31 October 2013 £000s
Cash and cash equivalents	12	98,349	76,589
Securities	9	44,648	58,000
Trade receivables	11	112,586	46,636
Total financial assets		255,583	181,225

Financial liabilities	Notes	As at 31 October 2014 £000s	As at 31 October 2013 £000s
Trade and other payables	13	29,403	29,683

The Company's total current financial assets exceed its total current financial liabilities by 6.5:1 (2013: 6.1:1).

(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 2014 Leasehold property £000s	As at 31 October 2013 Leasehold property £000s
Commitments under non-cancellable operating leases expiring:		
Within one year	5,144	5,002
Later than one year and less than five years	20,009	20,009
After five years	12,499	17,785
Total	37,652	42,796

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 2014:

	Notes	Financial assets at amortised cost £000s	Securities Available for Sale £000s	**Total £000s**
Financial assets				
Cash and cash equivalents	12	98,349	-	98,349
Current securities	9	-	44,648	44,648
Total financial assets		98,349	44,648	142,997

	Notes	Financial liabilities at amortised cost £000s	**Total £000s**
Financial liabilities			
Trade and other payables due within one year	13	29,403	29,403

As at 31 October 2013:

	Notes	Financial assets at amortised cost £000s	Securities Available for Sale £000s	**Total £000s**
Financial assets				
Cash and cash equivalents	12	76,589	-	76,589
Securities	9	-	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	13	29,683	29,683

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.

As one of the Company's subsidiaries, BBAM LLP, is regulated by the Financial Conduct Authority ("FCA"), the group of companies headed by the Company is therefore subject to consolidated regulatory capital requirements. The group was in compliance with the consolidated capital requirements as set out by the FCA throughout the current 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.

8. Leasehold Improvements

	Leasehold Improvements £000s
Cost	
At 31 October 2012	5,902
Additions	1,008
Disposals	-
At 31 October 2013	6,910
Additions	1,245
Disposals	-
At 31 October 2014	8,155
Accumulated Depreciation	
At 1 November 2012	5,702
Depreciation charge	135
At 31 October 2013	5,837
Depreciation charge	397
At 31 October 2014	6,234
Net book amount as at 31 October 2014	1,921
Net book amount as at 31 October 2013	1,073

At 31 October 2014 and 31 October 2013, none of the above assets were held under finance leases.

Notes to the financial statements (continued)

9. Securities

Fair value through profit or loss:	As at 31 October 2014 £000s	As at 31 October 2013 £000s
At 1 November 2013 and 2012	-	-
Fair value adjustment	67	61
Disposals	(67)	(61)
At 31 October 2014 and 2013	-	-

Available for sale:		
At 1 November 2013 and 2012	58,000	64,333
Additions	-	39,300
Unrealised gains on available-for-sale securities	2,676	2,573
Foreign exchange gains/(losses)	2	(24)
Disposals	(16,030)	(48,182)
At 31 October 2014 and 2013	44,648	58,000

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

Securities 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 securities can be analysed as follows:

31 October 2014	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total
Fair value through profit and loss	-	-	-	-
Available-for-sale	-	44,648	-	44,648

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

Certain financial instruments have not been assigned to a level as the carrying amount always approximates their fair values due to the short-term nature (instruments that are receivable or payable on demand, or with original maturity of three months or less) and insignificant credit risk.

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

Notes to the financial statements (continued)

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

	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Level 3 non-current securities		
At 1 November 2013 and 2012	-	-
Gains included in profit for the year	67	61
Disposals	(67)	(61)
At 31 October 2014 and 2013	-	-

10. Investments in Subsidiaries

	As at 31 October 2014 £000s	As at 31 October 2013 £000s
Cost less impairment:		
At 1 November 2013 and 2012	48,833	48,778
Capital contributions made to subsidiaries	-	55
At 31 October 2014 and 2013	48,833	48,833

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)

11. Trade and other receivables

	As at 31 October 2014 £000s	As at 31 October 2013 £000s
Other receivables	24	2,415
Amounts owed by subsidiaries	110,950	41,383
VAT receivable	347	382
Prepayments	1,265	967
Prepayments – deferred compensation scheme	-	1,489
Total amounts falling due within one year	112,586	46,636
Other receivables	186	-
Prepayments – deferred compensation scheme	-	350
Total amounts falling due after more than one year	186	350

12. Cash and cash equivalents

	As at 31 October 2014 £000s	As at 31 October 2013 £000s
Cash at bank and in hand	98,349	76,589
Total cash and cash equivalents	98,349	76,589

Notes to the financial statements (continued)

13. Trade and other payables

	As at 31 October 2014 £000s	As at 31 October 2013 £000s
Amounts owed to subsidiaries	7,992	2,145
Other tax and social security payable	482	1,551
Other payables	69	564
Payable to affiliate for tax losses	-	10,789
Accruals	20,860	14,634
Total trade and other payables due within one year	29,403	29,683
Accruals	2,786	2,009
Total amounts due after more than one year	2,786	2,009

14. Deferred taxation

Deferred tax is calculated in full on temporary differences under the liability method using an effective tax rate of 21% for amounts which are expected to reverse before 1 April 2015, and 20% for amounts which are expected to reverse after that date (2013: 23% or 21%).

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 2013	9,353
Income Statement credit	(4,014)
Prior year adjustment	121
Adjustments for changes in tax rates	(635)
At 31 October 2014	4,825

Notes to the financial statements (continued)

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

An analysis of the deferred tax asset is as follows:

	As at 31 October 2014 £000s	As at 31 October 2013 £000s
Accelerated depreciation for tax purposes	542	566
Deferred compensation scheme	4,127	6,074
Difference due to allocation of taxable profits BlueBay Asset Management LLP	156	2,713
Total deferred tax asset	4,825	9,353

15. Called up share capital

	Number of shares	Ordinary shares £000s	Share premium £000s
At 1 November 2012	198,635,001	199	33,906
At 1 November 2013	198,635,001	199	33,906
At 31 October 2014	**198,635,001**	**199**	**33,906**

	31 October 2014 Number	31 October 2013 Number	31 October 2014 £000s	31 October 2013 £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)

16. Cash generated from operations

	Year ended 31 October 14 £000s	Year ended 31 October 13 £000s
Operating profit for the period	72,801	71,665
Adjustments for:		
Securities at fair value	89	(3,307)
Share-based payments	-	2,729
Depreciation	397	135
	486	(443)
Changes in working capital:		
Increase in receivables	(65,786)	(3,000)
Increase in payables	497	8,656
	(65,289)	5,656
Cash generated from operations	**7,998**	**76,878**

Notes to the financial statements (continued)

17. Related party transactions

The following transactions were carried out with related parties:

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

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

Description of relationship	Description of service	Description of transactions
The Company is a member of BBAM LLP, it has 51% voting rights.	Profit allocation due from BBAM LLP.	Profit allocation from LLP classified as operating income.
RBC Europe Limited ("RBCEL") is an affiliate of the Company.	Cash is held on deposit with RBCEL.	Interest is received from RBCEL for the £80,000,000 that is held on deposit.
The Company is the parent of BBAMI.	Provision of financial support.	Receipt of dividend from BBAMI.

Interest received during the period:

	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Interest received on deposits with RBC Europe Limited	223	150

Other receivables and payables:	Year ended 31 October 2014 £000s	Year ended 31 October 2013 £000s
Amount payable to RBCEL for tax losses surrendered in the year	-	(10,789)
Amounts owed by subsidiaries	47,608	41,383
Amounts owed to subsidiaries	(7,992)	(2,145)
Total	39,616	28,449

Year end balances as at the financial year end:

	31 October 2014 £000s	31 October 2013 £000s
Cash held on deposit with RBCEL	80,000	50,000

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

Notes to the financial statements (continued)

18. Principal Company investments

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

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

19. 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.

20. Post-balance sheet event

On 30 March, 2015, a dividend of EUR 14,000,000 was received from a subsidiary of BlueBay Asset Management (Services) Limited.