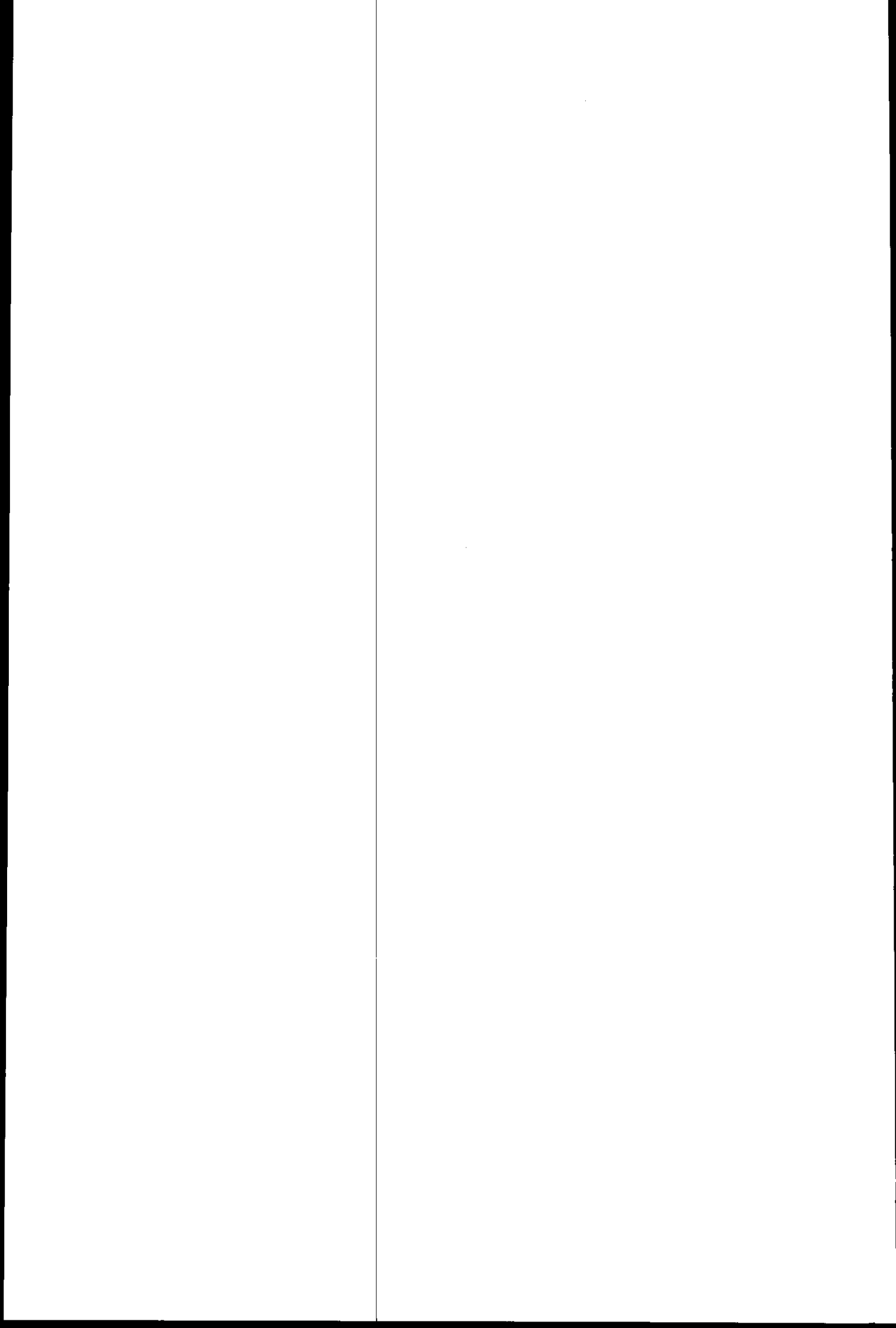


**BlueBay Asset Management Limited**  
**(formerly Orchard Capital Management Limited)**

Report and accounts  
for the 14 month period ended 31 December 2001

Registered number: 03262598





## Directors' report

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the period ended 31 December 2001.

### Share capital and change of name

The company was incorporated on 11 October 1996 with an authorised share capital of 1,000 ordinary shares of £1 each. Of these, 2 ordinary shares were issued at par for cash. On 20 December 2000 the authorised share capital was increased to £20,000 by the creation of 19,000 ordinary shares of £1 each and on that date 5,998 shares were issued at par for cash.

On 3 July 2001 the authorised capital was subdivided and reclassified so that it now consists of 600,000 A ordinary shares of 1p each, 600,000 B ordinary shares of 1p each and 800,000 C ordinary shares of 1p each. The ordinary shares in issue on that date were subdivided and reclassified as B ordinary shares, so that the whole of that class became issued. In addition, 600,000 A ordinary shares were issued for cash at a price of 12.5 euros per share.

On 9 August 2001 the company changed its name to BlueBay Asset Management Limited.

### Principal activities and business review

The principal activities of the company involve the provision of investment management services. The Directors expect the general level of activity to increase in the coming year as funds are taken under management.

### Results and dividends

The audited accounts for the period ended 31 December 2001 are set out on pages 6 to 14. The loss for the period after taxation was £1,745,322.

The directors do not propose the payment of a dividend.

### Directors

The directors who served during the period were as follows:

Hugh Willis

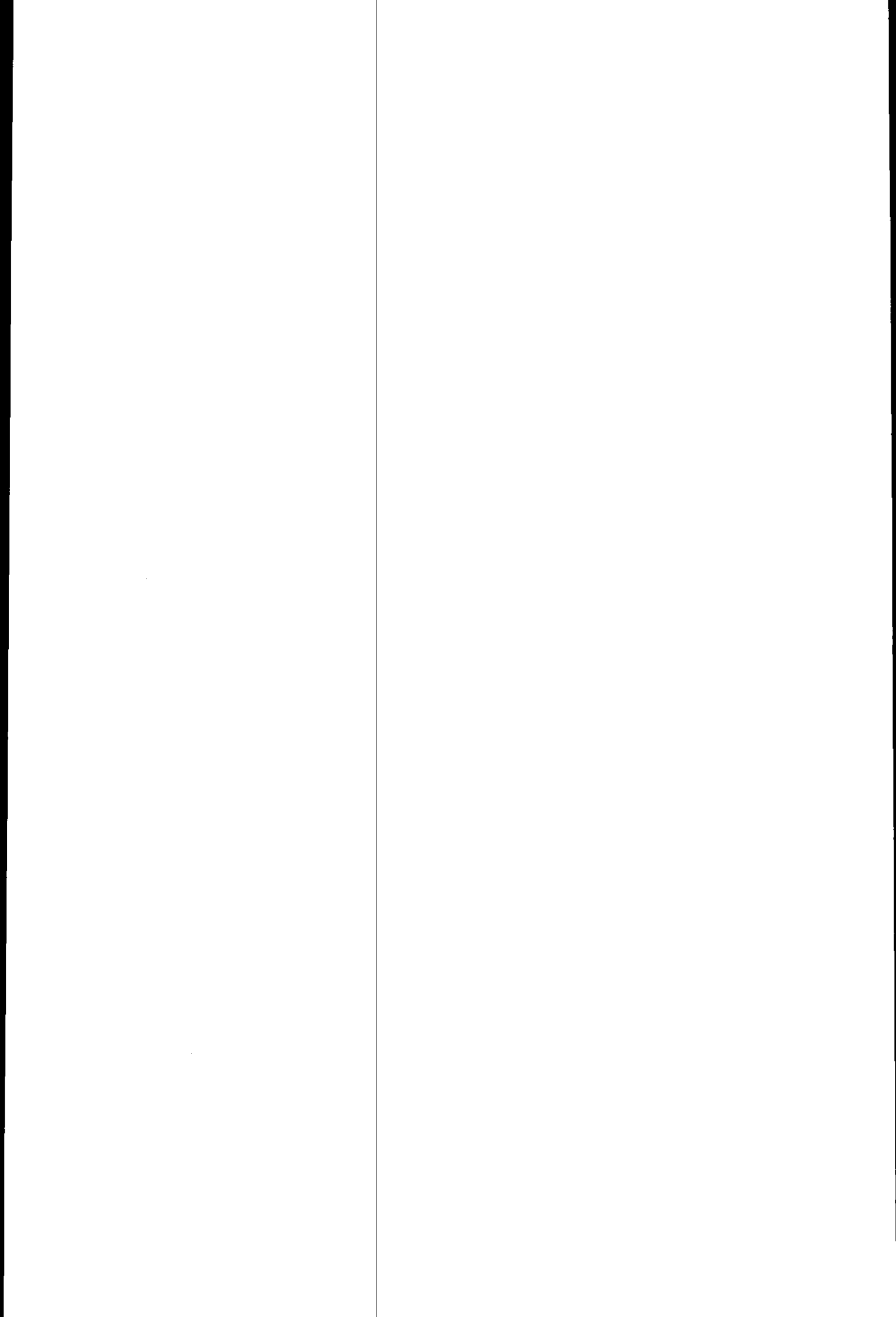
Mark Poole

Jun Daikuhara (appointed 3 July 2001)

Arnault De Torquat (appointed 3 July 2001)

Hans Joerg Rudloff (appointed 3 July 2001)

Hugh Willis and Mark Poole both retain a 25% interest in the company.



## Directors' report (continued)

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Cassini House  
57 St. James's Street  
London  
SW1A 1LD

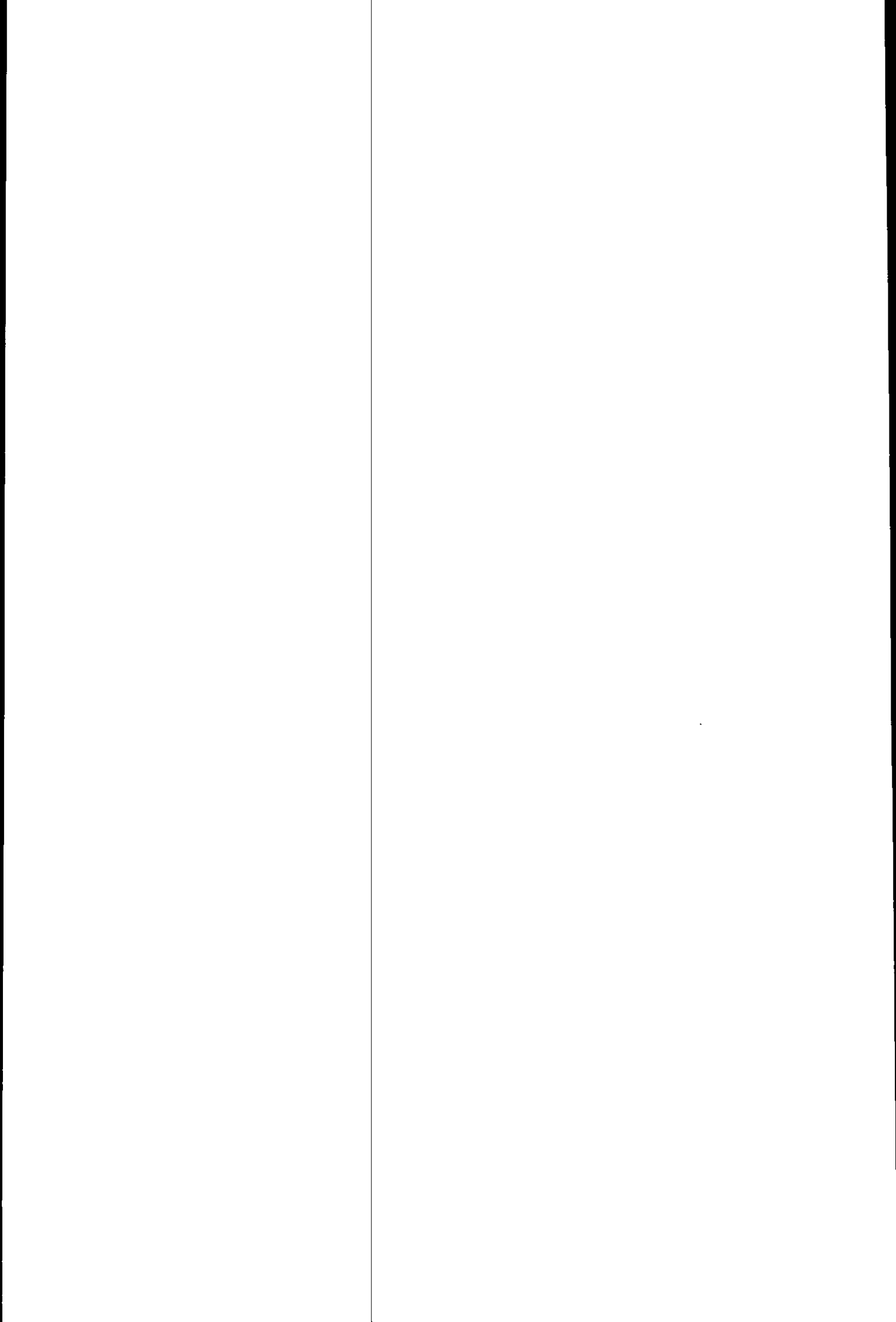
By order of the Board,

A handwritten signature in black ink, appearing to read 'Hugh Willis', with a long horizontal stroke extending to the right.

Hugh Willis

Director

19 February 2002

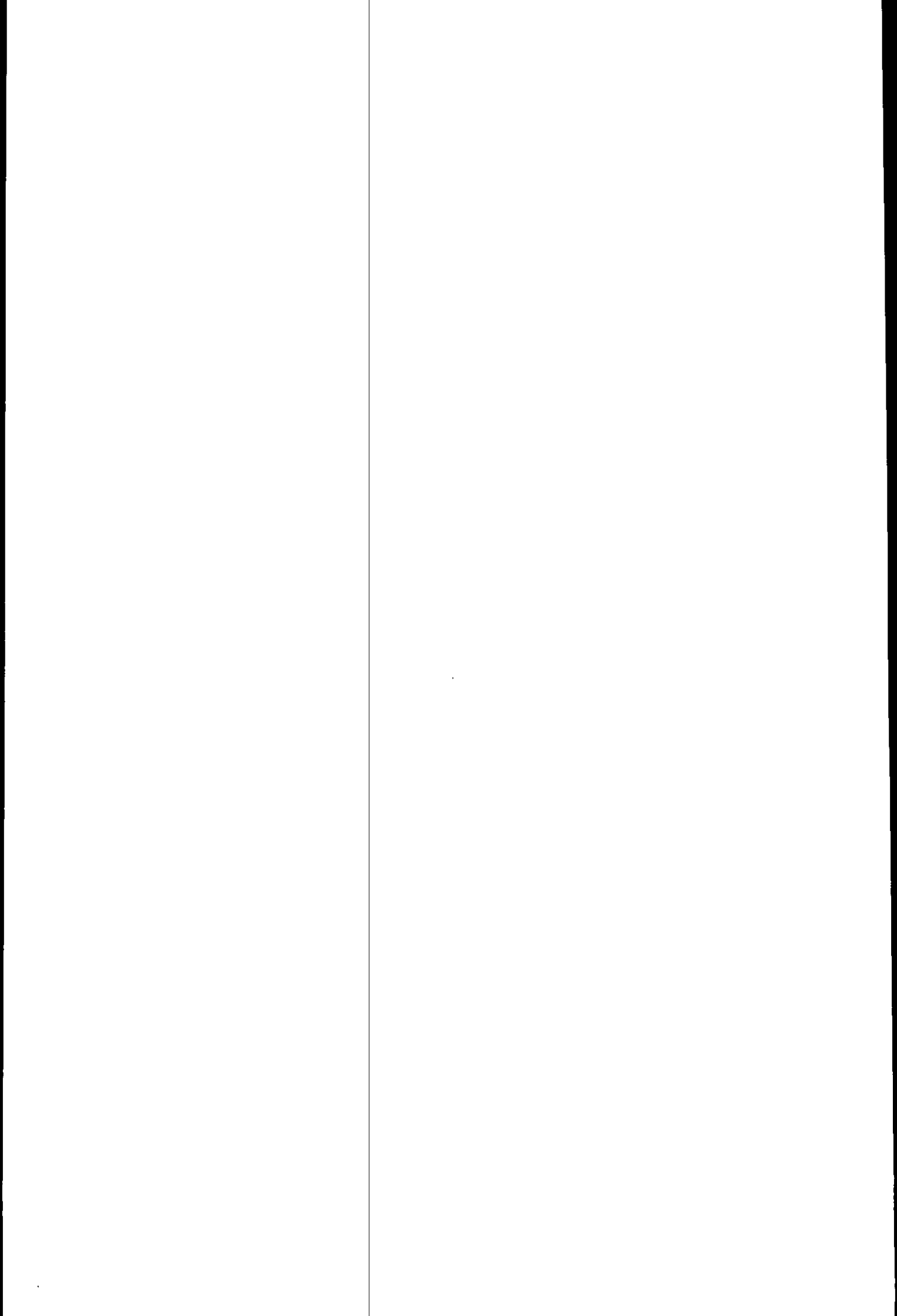


## Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.





**To the Shareholders of BlueBay Asset Management Limited**

We have audited the financial statements of BlueBay Asset Management Limited for the period ended 31 December 2001 which comprise the Profit and loss account, Balance sheet, Cash flow statement and the related notes numbered 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

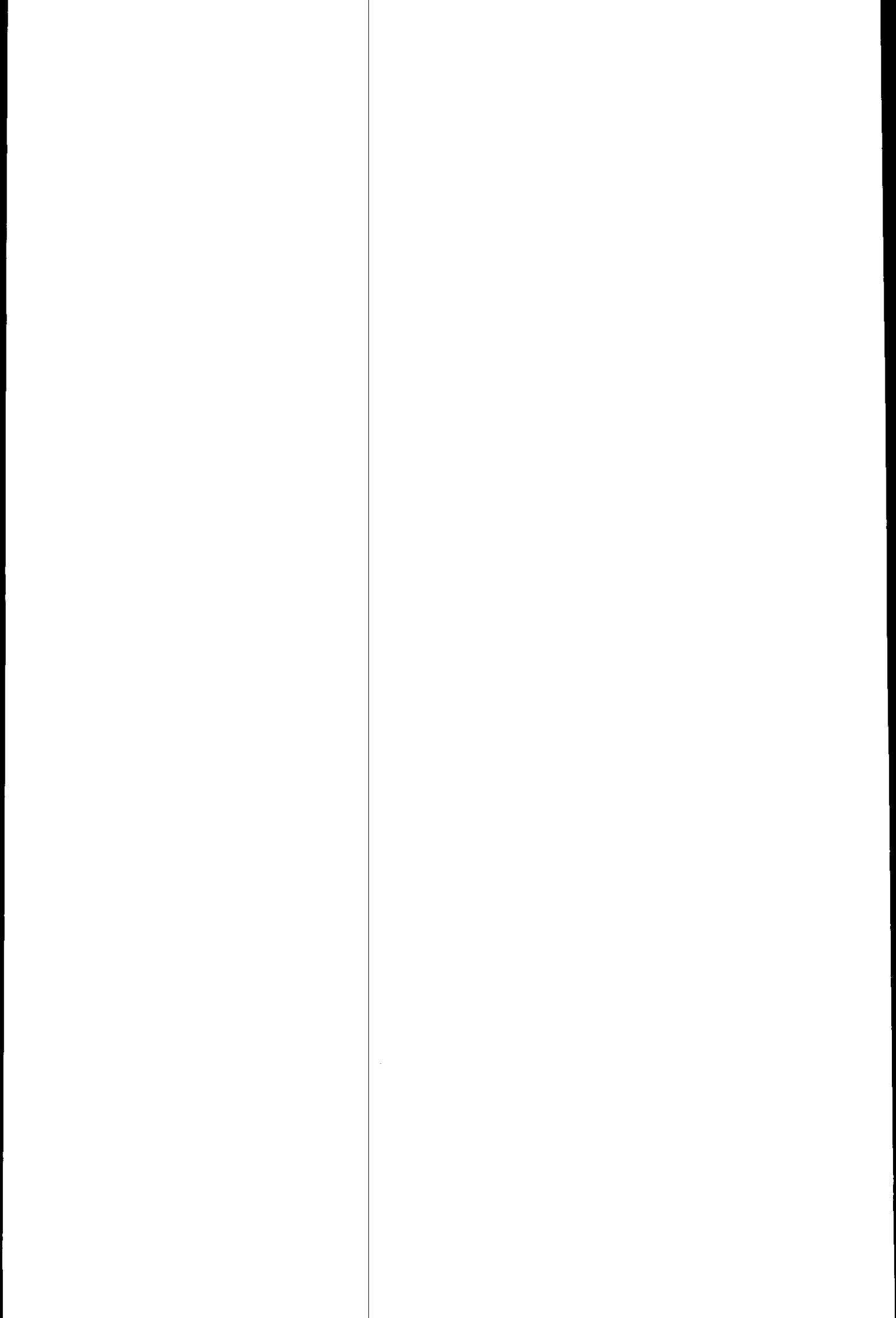
We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of opinion**

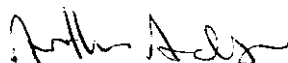
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

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



**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of the company's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

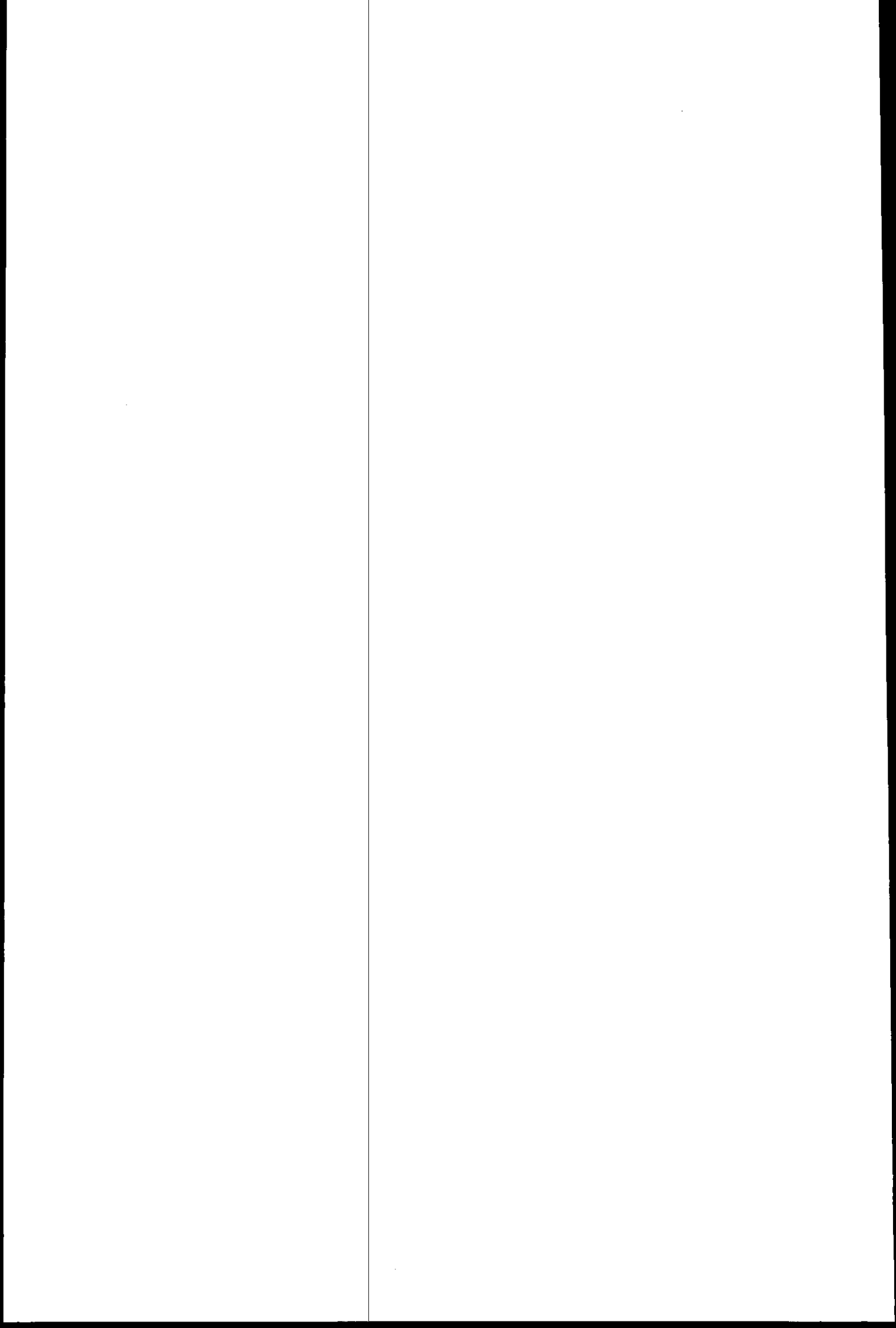


**Arthur Andersen**

**Chartered Accountants and Registered Auditors**

180 Strand  
London  
WC2R 1BL

19 February 2002



## Profit and loss account

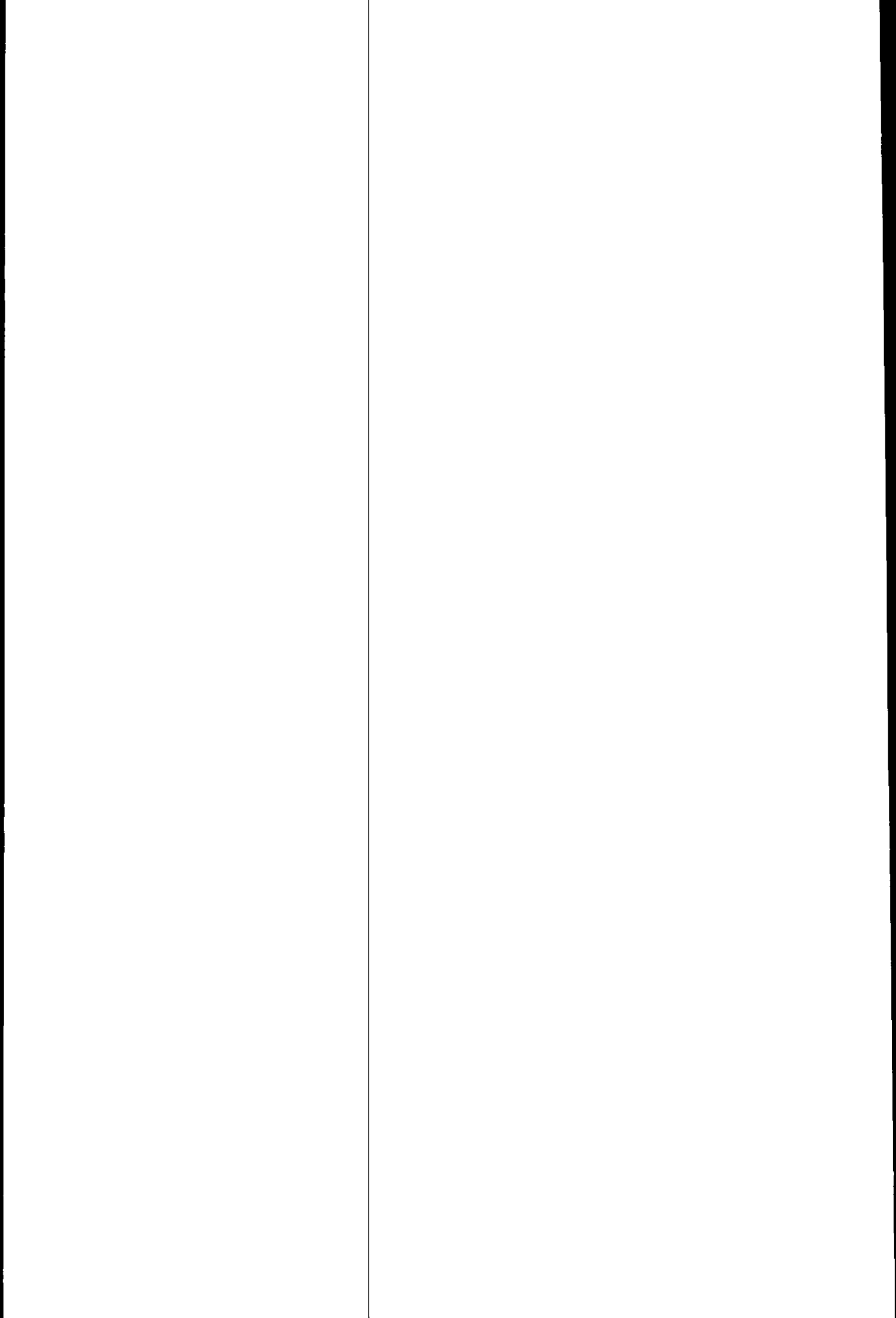
For the period ended 31 December 2001

	Notes	£
<b>Turnover</b>	1	-
Administrative expenses		(1,814,050)
<b>Operating loss</b>		(1,814,050)
Interest receivable and similar income	2	68,728
<b>Loss on ordinary activities before taxation</b>	3	(1,745,322)
Tax on loss on ordinary activities	6	-
<b>Retained loss for the period</b>	11	(1,745,322)

All results are derived from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

There are no other recognised gains or losses for the period.



# Balance sheet

31 December 2001

	Notes	£
<b>Fixed assets</b>		
Tangible assets	7	<u>971,274</u>
<b>Current assets</b>		
Debtors	8	457,193
Cash at bank and in hand		<u>5,658,873</u>
		6,116,066
<b>Creditors: Amounts falling due within one year</b>	9	<u>(585,865)</u>
<b>Net current assets</b>		<u>5,530,201</u>
<b>Net assets</b>		<u>6,501,475</u>
<b>Capital and reserves</b>		
Called-up share capital	10	12,000
Share premium account	11	8,234,797
Profit and loss account	11	<u>(1,745,322)</u>
<b>Equity Shareholders' funds</b>		<u>6,501,475</u>

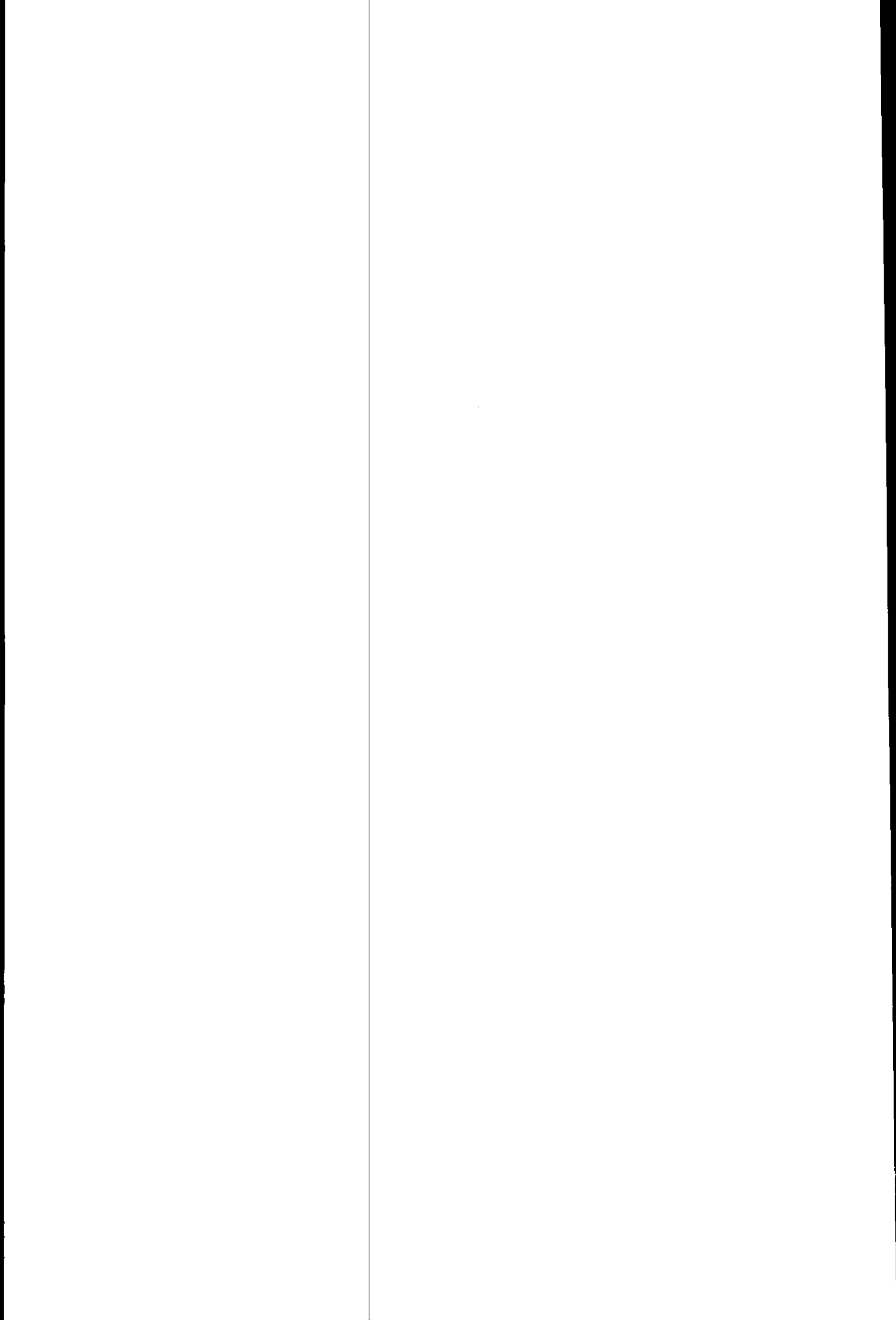
The accounts on pages 6 to 14 were approved by the board of directors on 19 February 2002 and signed on its behalf by:



Hugh Willis

Director

The accompanying notes are an integral part of this balance sheet.



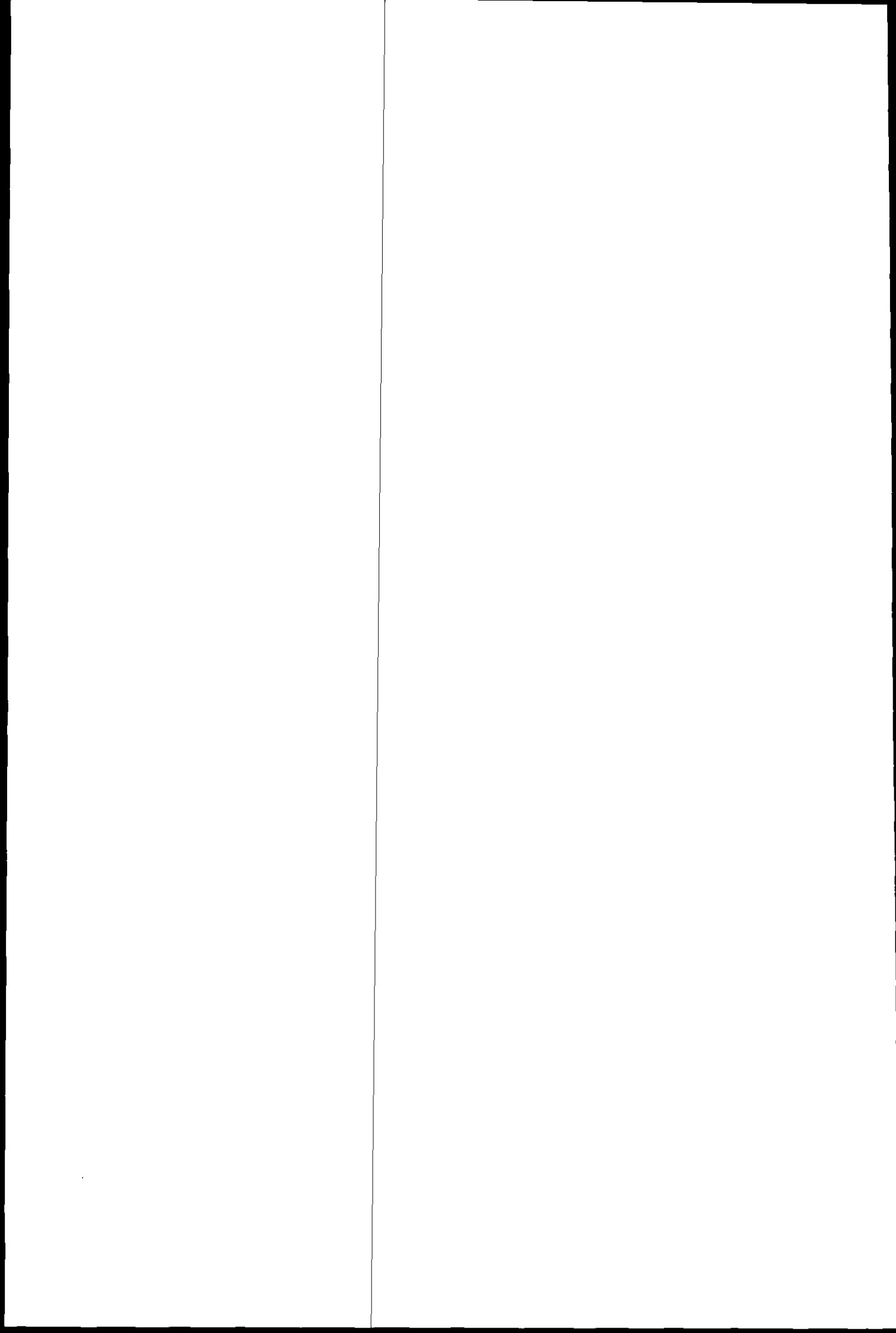


## Cash flow statement

For the period ended 31 December 2001

	Notes	£
<b>Net cash outflow from operating activities</b>	13i)	(1,618,703)
Returns on investments and servicing of finance	13ii)	68,728
Taxation		-
Issue of share capital		8,246,795
Capital expenditure and financial investment	13iii)	(1,037,949)
Increase in cash in the period		<u>5,658,871</u>
<b>Reconciliation of net cash flow to movement in net funds</b>		
Increase in cash in the period		5,658,871
Net funds at beginning of period	10	<u>2</u>
Net funds at end of period	13iv)	<u>5,658,873</u>

The accompanying notes are an integral part of this cash flow statement.



## Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the period are summarised below.

### *a) Basis of accounting*

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

### *b) Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold Improvements	On a straight line basis over the life of the lease
Furniture, Fixtures and Fittings	4-5 years (straight line basis)
Information and Communication Technology Equipment	2-5 years (straight line basis)

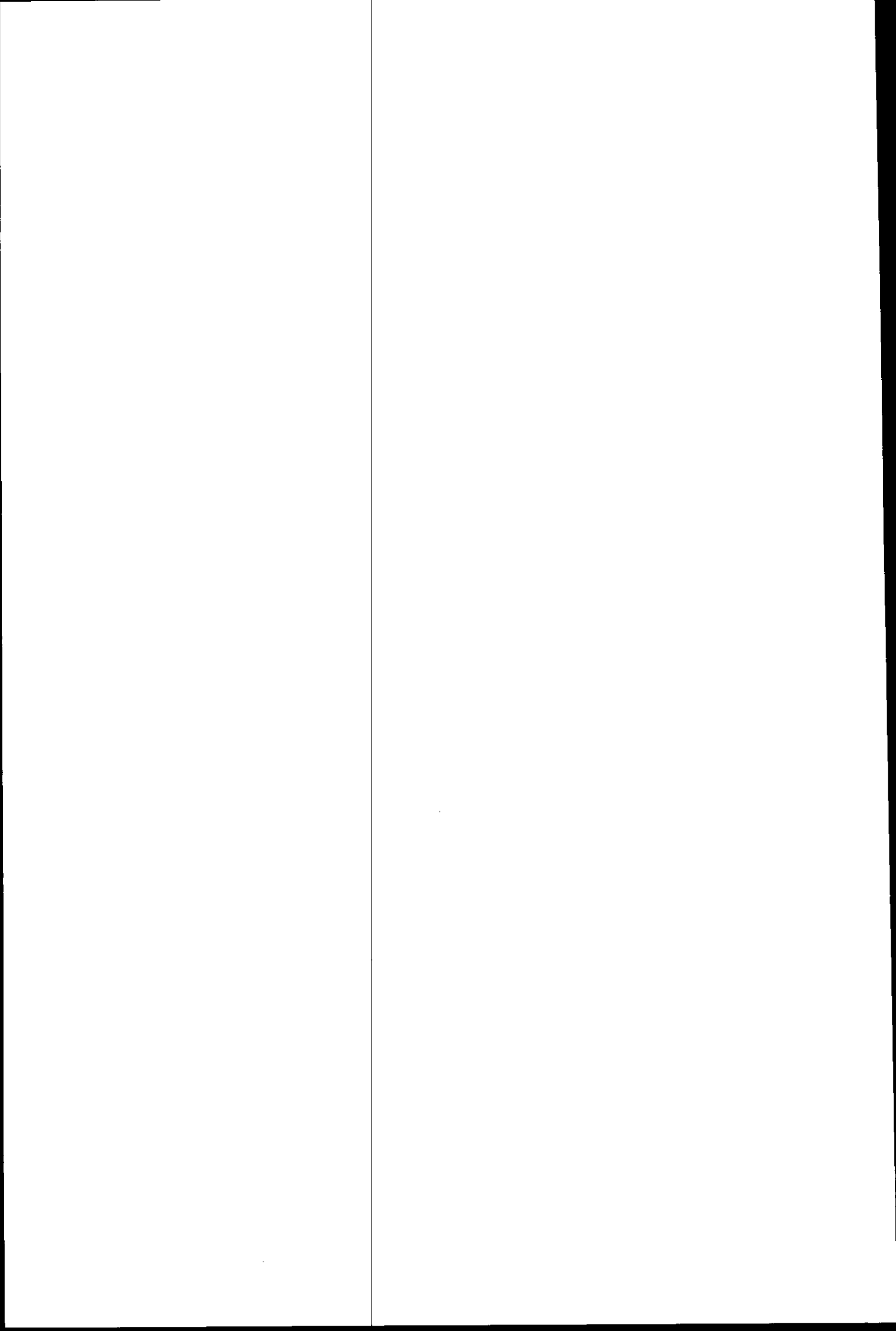
### *c) Taxation*

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

### *d) Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account.



## Notes to accounts (continued)

### 1 Turnover

There has been no turnover in the period to 31 December 2001 since the company had not yet earned any revenue at that date.

### 2 Interest receivable and similar income

	£
Bank interest	<u>68,728</u>

### 3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	£
Depreciation	66,675
Auditors' remuneration for audit services	<u>15,000</u>

Amounts payable to Arthur Andersen and their associates by the company in respect of non-audit services were £50,881.

### 4 Staff costs

Particulars of employees (including executive directors) are shown below:

	£
Wages and salaries	762,799
Social security costs	<u>82,144</u>
	<u>844,943</u>

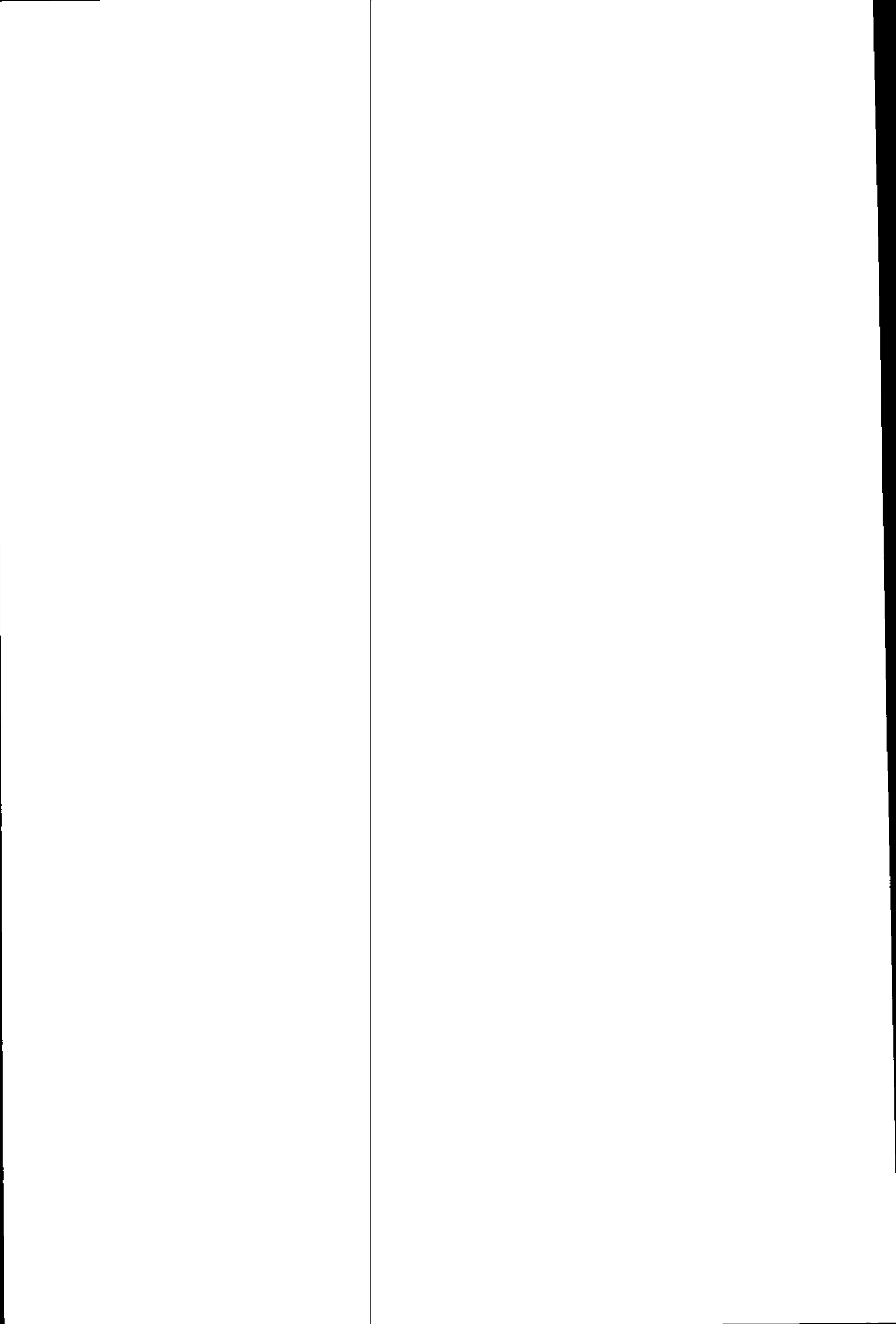
The average number of staff employed in the period was 4.

### 5 Directors' remuneration and transactions

#### Remuneration

The remuneration of the directors was as follows:

	£
Emoluments	<u>497,028</u>



## Notes to accounts (continued)

The directors' remuneration shown above included:

	£
Highest-paid director	<u>248,514</u>

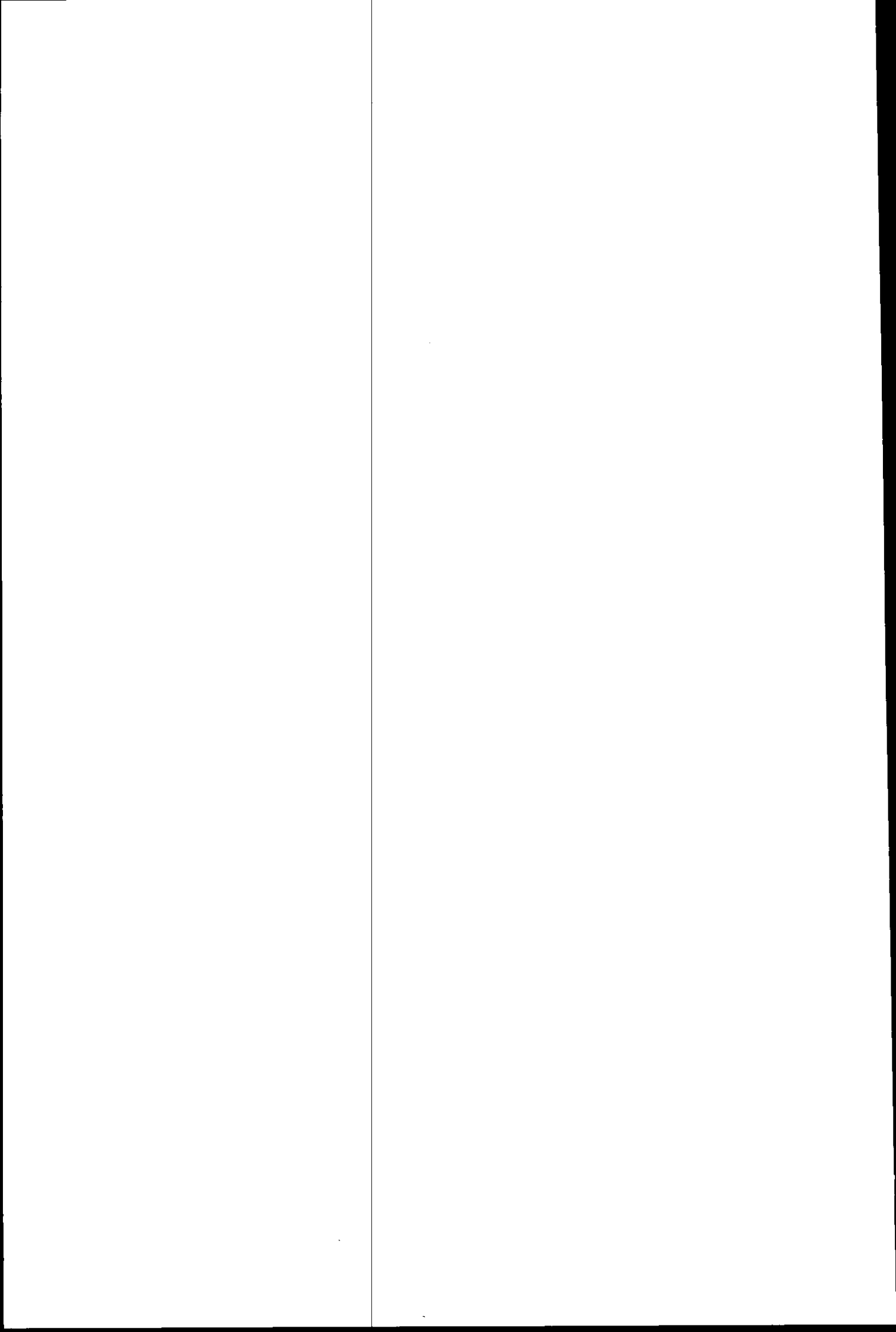
No directors were members of company pension schemes.

### 6 Tax on loss on ordinary activities

The tax charge is based on the taxable result for the period. Since the company made a loss in the period no corporation tax is payable.

### 7 Tangible fixed assets

	Leasehold Improvements £	Furniture Fixtures & Fittings £	Information & Communication Technology Equipment £	Total £
<b>Cost</b>				
Beginning of the period	-	-	-	-
Additions	<u>247,186</u>	<u>126,140</u>	<u>664,623</u>	<u>1,037,949</u>
At 31 December 2001	<u>247,186</u>	<u>126,140</u>	<u>664,623</u>	<u>1,037,949</u>
<b>Depreciation</b>				
Beginning of the period	-	-	-	-
Charge for the period	<u>10,850</u>	<u>5,525</u>	<u>50,300</u>	<u>66,675</u>
At 31 December 2001	<u>10,850</u>	<u>5,525</u>	<u>50,300</u>	<u>66,675</u>
<b>Net book value</b>				
Beginning of the period	-	-	-	-
At 31 December 2001	<u>236,336</u>	<u>120,615</u>	<u>614,323</u>	<u>971,274</u>





## Notes to accounts (continued)

### 8 Debtors

	£
Amounts falling due within one year:	
VAT	43,958
Prepayments and accrued income	65,270
Other debtors	44,667
	<u>153,895</u>
Amounts falling due after more than one year:	
Other debtors	303,298
	<u>457,193</u>

### 9 Creditors: Amounts falling due within one year

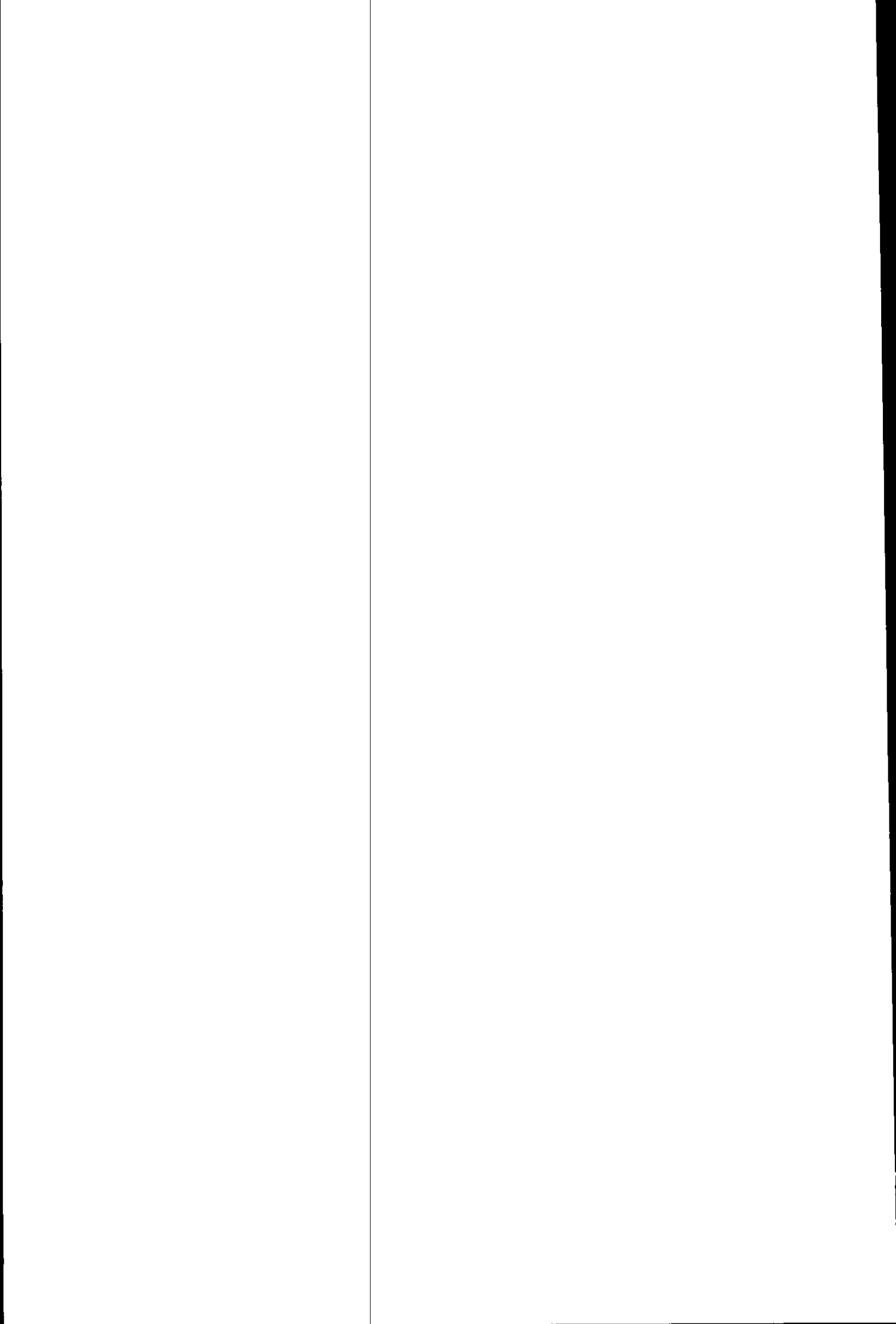
	£
Trade creditors	75,697
Other taxation and social security	46,818
Other creditors	463,350
	<u>585,865</u>

### 10 Called-up share capital

	£
<i>Authorised</i>	
2,000,000 ordinary shares of 1p each	<u>20,000</u>
<i>Allotted, called-up and fully-paid</i>	
1,200,000 ordinary shares of 1p each	<u>12,000</u>

The company was incorporated on 11 October 1996 with an authorised share capital of 1,000 ordinary shares of £1 each. Of these, 2 ordinary shares were issued at par for cash. On 20 December 2000 the authorised share capital was increased to £20,000 by the creation of 19,000 ordinary shares of £1 each and on that date 5,998 shares were issued at par for cash.

On 3 July 2001 the authorised capital was subdivided and reclassified so that it now consists of 600,000 A ordinary shares of 1p each, 600,000 B ordinary shares of 1p each and 800,000 C ordinary shares of 1p each to bring its authorised ordinary share capital to £20,000. The ordinary shares in issue on that date were subdivided and reclassified as B ordinary shares, so that the whole of that class became issued. In addition, 600,000 A ordinary shares were issued for cash at a price of 12.5 euros per share to bring its issued ordinary share capital to £12,000.



## Notes to accounts (continued)

In accordance with the shareholders' agreement dated 3 July 2001 the holders of the A ordinary shares are required to pay an additional consideration by way of additional premium for the ordinary shares issued on 13 July 2001 on the achievement of certain business objectives.

### 11 Reserves

	Share premium account £	Profit and loss account £	Total £
At beginning of period	-	-	-
Share issues	8,234,797	-	8,234,797
Retained loss for the period	-	(1,745,322)	(1,745,322)
At 31 December 2001	<u>8,234,797</u>	<u>(1,745,322)</u>	<u>6,489,475</u>

### 12 Reconciliation of movements in shareholders' funds

	£
Loss for the financial period	(1,745,322)
New shares issued	8,246,795
Opening shareholders' funds	<u>2</u>
Closing shareholders' funds	<u>6,501,475</u>

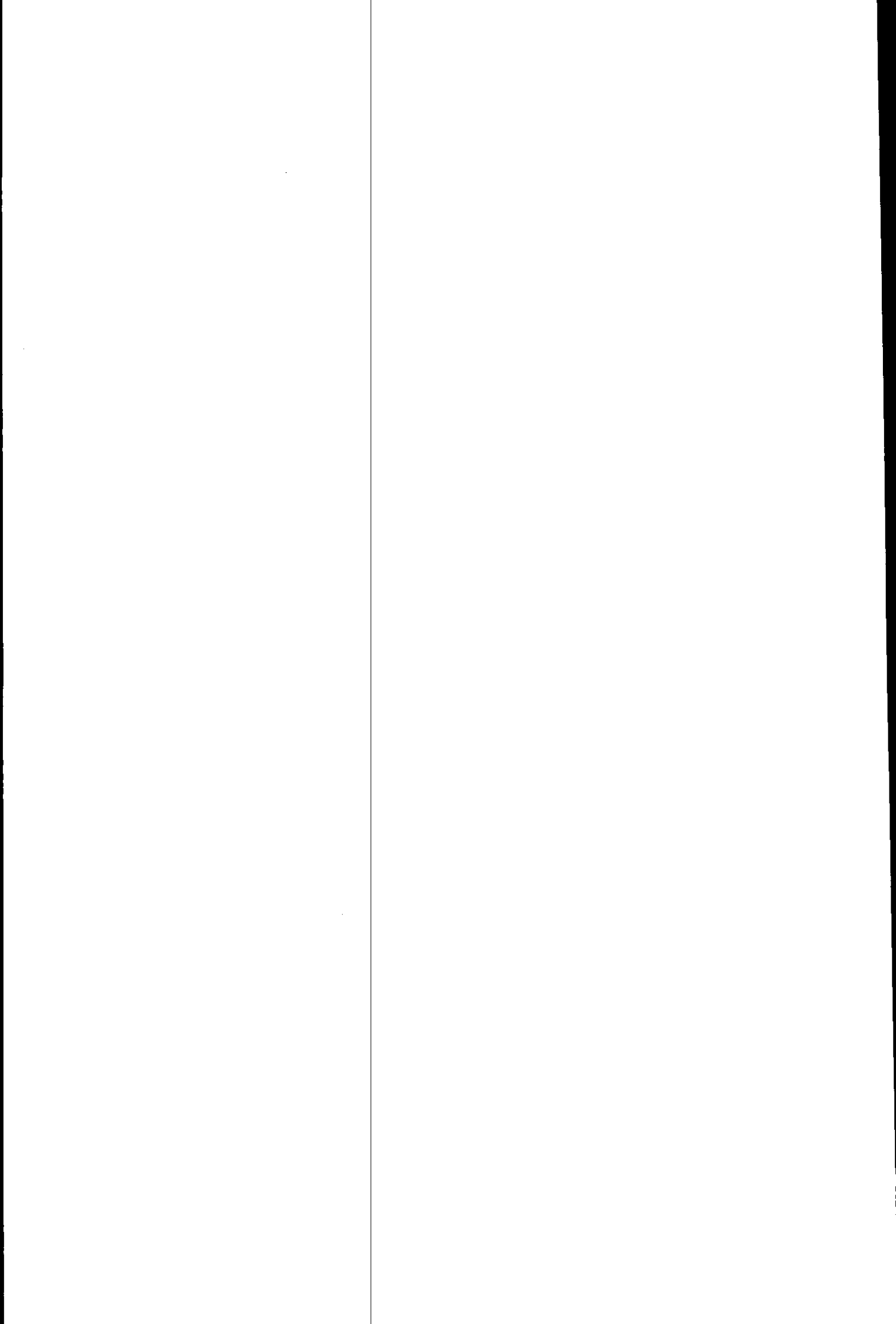
### 13 Notes to the cash flow statement

#### i) Reconciliation of operating loss to net cash outflow from operating activities

	£
Operating loss	(1,814,050)
Depreciation charges	66,675
Increase in debtors	(457,193)
Increase in creditors	<u>585,865</u>
Net cash outflow from operating activities	<u>(1,618,703)</u>

#### ii) Returns on investment and servicing of finance

	£
Interest received	<u>68,728</u>



Notes to accounts (continued)

iii) *Capital expenditure*

	£
Purchase of fixed assets	<u>1,037,949</u>

iv) *Analysis of net funds*

	At 31 October 2000 £	Cashflow £	At 31 December 2001 £
Cash at bank and in hand	<u>2</u>	<u>5,658,871</u>	<u>5,658,873</u>

