GAM LONDON LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2010

Registered Company Number 874802

DIRECTORS' REPORT

The directors submit their report together with the financial statements of GAM London Limited (the Company) for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of providing investment advisory services to clients on both a discretionary and non-discretionary basis The Company is regulated by the Financial Services Authority (FSA)

FINANCIAL RESULTS

During the year to 31 December 2010 the Company made a profit after taxation of £3 518 000 (2009 £4 501 000)

A dividend of £6 000 000 was paid during the year (2009 £6 000 000)

OPERATING AND FINANCIAL REVIEW

Key performance indicators

Client assets under management remained constant in 2010 (£4 377 million in 2010 compared to £4 383 million in 2009) At UK Group level assets under management increased from £27,120 million to £34,423 million during the year an increase of 26 9%

The Company monitors its cost/income ratio on a monthly basis which for the year ended 31 December 2010 was 88% (2009 84%)

Capital structure of the Company

The Company had issued capital at 31 December 2010 of £2 025 000 (2 025 000 issued ordinary shares of £1 each) all of which are held by GAM (U K) Limited, a company registered in the United Kingdom

Review of the business and future developments

In 2010 the Company saw its Assets Under Management remain reasonably stable following the severe dislocations in both the credit and equity markets in 2008 The Company was not immune from the turmoil in market conditions and faced major challenges in 2008 and 2009 in continuing to deliver high quality investment management services to its clients We remain convinced that as investors appetite for risk returns GAM's excellent relative performance and active management approach will enable it to capture substantial flows of new money

Principal risks and uncertainties

As an investment advisory business focused on the private client business, the principal risks facing the Company include the loss of key staff and losses arising from adverse external market movements The Company addresses the former risk through a well structured remuneration policy and the employment of highly motivated professional staff The latter is addressed through diligent attention to the asset allocation process

Additionally the Company seeks to mitigate the risk of losses from the loss of key clients through diversification of its client base and the growth in assets under management

Approach to risk

The Company is incorporated in the United Kingdom and is a wholly owned subsidiary of GAM (U K) Limited The Company's activities (described above) are regulated by the FSA

The Company's management adopts a responsible attitude to risk and has actively taken steps to comply with the provisions of the Capital Requirements Directive Following an assessment of the Company's corporate structure and relationship with its funds it is apparent that its exposure to many of the principal risks identified in the New Basel Accord is low As a result, the Company's risk level is perceived to be comfortable

Two further discussions relating to the risks faced by the Company appear later in these financial statements Firstly, a detailed discussion of the risks facing the Company and its approach to mitigating them is shown in the Financial Risk Management section of the Directors' Report The Company seeks to meet its reporting obligations under Pillar 3 of the Capital Requirements Directive through this disclosure Secondly risks associated with Financial Instruments are covered in Note 3

FINANCIAL RISK MANAGEMENT

Introduction

Risk is inherent in the Company's activities but it is carefully managed through a process of ongoing identification, measurement and monitoring It is subject to prudent risk limits and strong control This note presents information about the financial risks faced by the Company and the framework the Company has in place to manage those risks

GAM London Limited is authorised and regulated by the Financial Services Authority (FSA) with permission to carry out investment activities under registration number 122330 The principal activities of the Company are the distribution of GAM funds, the discretionary management of private clients and the provision of investment advisory services to funds

The Company has undertaken a detailed evaluation of its financial risks and the capital requirements in the Internal Capital Adequacy Assessment Process (ICAAP) document the provisions of which are contained within Article 123 of the EU Capital Requirements Directive There is no additional requirement for capital arising from the ICAAP Additionally there is no current or foreseen material practical or legal impediment to the prompt transfer of capital resources or repayment of liabilities among the Company or its parent undertaking

Risk management structure

There are a number of bodies associated with the management of the Company's financial risk

Board of Directors
The Board of Directors is ultimately responsible for identifying and controlling risks It has overall responsibility for setting the Company's risk management approach and for approving risk management strategies

Risk Management Team / Risk Officer
The Risk Officer is responsible for identifying and collating all operational risks (either through the risk monitoring framework or as a result of specific incidents including errors reported through the GAM Error Monitoring System) The Risk Officer is responsible for analysing the potential impact of identified risks and determining in conjunction with the business function heads the required action to mitigate those risks

Legal & Compliance Team
The Legal & Compliance team monitors compliance legal and regulatory requirements for the Company and is responsible for the development and ongoing monitoring of controls and procedures that seek to mitigate risk

Finance Department
The Finance department has an oversight role monitoring performance against set strategy Reporting to the CEO the Finance Director reviews the Company's financial position against budgets and forecasts

Quantitative Services Department
The Quantitative Services department performs statistical and quantitative reviews for the Company's clients and investments These reviews centre predominantly on performance and Value at Risk (VaR) analysis attribution analysis peer group analysis and asset allocation analysis The department looks to analyse the investment risks for both internal and external funds as well as for the individual Institutional clients of the Company

Internal Audit
Internal audit services for the Company are provided by the GAM Holding Limited Group Internal Audit Team (GIA), which comprises a dedicated team of professionals with asset management expertise In the short term external IT specialist auditors are being engaged to provide IT audit support The primary goal of GIA is to provide reasonable assurance to the GAM Holding Limited Board of Directors, to the Company's Board of Directors and to the Audit Committee that the internal control environment which management has established is adequate functioning effectively and in accordance with legal and regulatory requirements GIA executes this responsibility by providing independent objective assurance and consulting services in relation to controls and inherent risks, guided by the philosophy of adding value

Capital resources

The Board of Directors has a responsibility to ensure that the Company's systems and controls are adequate to mitigate risks identified and that sufficient capital is in place at all times to meet those requirements Additional capital, where required, is to be allocated in Pillar 2 for those risks not captured by Pillar 1

A summary of the Company's capital resources and capital requirements as at the statement of financial position date appears below It confirms that no additional regulatory capital is required under Pillar 2

	£000
Pillar 1 - Credit risk	652
Pillar 1 - Market risk	153
Pillar 1 - Operational risk	-
Pillar 1 - Fixed Overhead Requirement (FOR)	5 163
Pillar 1 Total	5 163
Pillar 2 Total	-
ICAAP Capital Requirement	5,163
Total Capital after Deductions	8,963
Surplus Capital	3 800
Surplus Capital (%)	42 40%

Key risks

The major areas of risk for the Company are Market risk, Operational risk Concentration risk and Business risk All of these risks have been reviewed and stress tested in the ICAAP, which includes an aggregation exercise for capital adequacy purposes

Each of these risks is discussed in greater detail below

Market risk

Market risk is defined as the risk to a company arising from movements in market prices that will affect its income or the value of its holdings of financial instruments Key components of Market risk are Interest Rate risk Currency risk and Equity Price risk each of which are discussed below Market risk is inherent in the running of any statement of financial position

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments The Company has some statement of financial position exposure to interest rate risk the details of which are discussed in Note 3 ('Risks associated with financial instruments')

Currency Risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates The Company has some statement of financial position exposure to foreign currency risk, the details of which are discussed in Note 3 ('Risks associated with financial instruments')

Equity Price Risk
Equity Price risk is the risk that the fair value of securities decreases While the Company does not engage in proprietary trading activities it does provide investment management services to a range of GAM funds and private and institutional clients that do take proprietary positions The market risk inherent within these funds and clients impacts the Company by affecting its income which is calculated as a percentage of assets managed As such effective identification and management of market risk is essential for maintaining income stability

Quantitative techniques for the measurement and management of Market risk continue to evolve but the technique currently used is Value at Risk (VaR) VaR is a well established risk management technique The Company uses a VaR model based on historic prices covering a 3 year period with a decay factor to put more emphasis on recent events

Additionally the Company has identified a number of events in order to stress test its market risk and analyse the likely effect on its business The way in which the funds managed by the Company would be expected to perform in these scenarios was compared with the MSCI World VaR The stress tests performed covered a range of market scenarios which confirmed the view that the Company carries less absolute risk than the market

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes people and systems or from external events (whether deliberate accidental or natural) Operational risk is inherent in the activities of any company

Losses arising from the failure to manage operational risk include both direct and indirect losses the latter category including those resulting from reputational damage The identification and control of operational risk is, therefore, the responsibility of all employees - as directed by the Risk Officer who has primary responsibility in this area The risk framework managed by the Risk Officer is extensive, and its key components are discussed in greater detail below

The Risk Officer maintains a register of inherent risks and a risk inventory (risk issues list), which is subject to regular sign off by functional heads Along side this the Risk Officer carries out a trend analysis following the submission of Key Risk Indicators (KRIs) by functional heads

Functions are subject to a self certification process in which the certifier decides whether the operation under discussion is risk compliant or risk non-compliant The functional head signs off and agrees actions to be taken for non-compliant operations The Risk Officer reviews all self certification submissions and then performs a risk based assessment (the annual Operational Risk Self Assessment exercise) in line with the GAM Group Operational Risk Framework

Concentration risk

Concentration risk is defined as the probability of a loss arising from heavy exposure to a particular counterparty or group of counterparties Concentration risk arises from large individual exposures or from significant exposure to groups of counterparties whose likelihood of default or withdrawal of business is driven by common underlying factors, which can include economic sector geographical location or currency

The Company has three primary income streams from fund management services client management services and from the distribution of GAM funds Each of these three income streams are discussed below with respect to Concentration risk and the Company's approach to managing that risk

Fund Management Services
Fund management income is derived as a percentage of assets under management This revenue stream accounted for just 20% of the Company's profits during the year The primary concentration risk associated with the revenue stream concerns the fund managers providing the services The Company seeks to mitigate this risk by spreading the management of funds across a number of individual fund management teams each consisting of a number of well trained individuals

Client Management Services
Client management income is derived as a percentage of monies managed for private clients At the statement of financial position date the Group had a well diversified base of actively managed clients and employed 12 senior portfolio managers and 10 supporting staff Concentration risk for this revenue stream is mitigated by the spread of clients and of portfolio managers No individual client represented more than 3 8% of the Group's client fee income

A number of clients have been introduced by the same distributor The highest concentration is from UBS the Company's ultimate parent company from December 2000 until December 2005 which represents 20% of the Company's client AUM

Distribution of GAM Funds
The distribution of GAM funds accounted for 74% of the Company's profit before fixed costs The Company receives a fee from GAM funds for introducing clients and mutual fund investors Fees earned in this way are derived as a percentage of monies introduced

Concentration risk for this revenue stream may arise both in relation to the in house distribution teams and where agents make up a material proportion of the Group's distribution income The in house distribution teams are well diversified with 37 sales staff marketing primarily to the United Kingdom Channel Islands Bermuda, South Africa, Sweden Norway, Denmark and the Benelux countries There is a greater degree of concentration risk in relation to the agents used to source funds However the loss of any one agent would not have a substantial impact on the Group's profitability

The Company has stress tested a range of risk scenarios associated with Concentration risk including the consequences of the departure of a high profile fund manager the consequence of poor performance in fund mandates and the loss of a client The Board has concluded that no concentration currently exists or is projected to exist within the next 5 years which would in a worst case scenario take the Company below a break even position Accordingly the Board believes it has adequate controls in place to mitigate concentration risk and considers that no additional capital above that provided by Pillar 1 to be required to cover this risk

Business risk

Business risk is the risk associated with a chosen business strategy It is affected by business cycles and by technological change The Company seeks to minimise its exposure to Business risk through a number of initiatives including investment in IT infrastructure, which enables it to respond swiftly to new market products and to cater for changes in client requirements and through GAM Group's development and introduction of attractive new funds and products in line with client demands and market opportunities

The Company has stress tested a range of risk scenarios associated with Business risk including the impact of legal or regulatory changes affecting managed clients in a jurisdiction and the impact of legal or regulatory changes on the investment funds from any individual jurisdiction Based on the analysis and scenario testing, the Company's Business risk is considered to be minimal Accordingly, the Board believes it has adequate controls in place to mitigate Business risk and considers that no additional capital above that provided by Pillar 1 to be required to cover this risk

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

It is the policy of the Company to pay all amounts due to creditors in accordance with the terms and conditions agreed with those creditors The Company had no material overdue trade creditors outstanding as at 31 December 2010 (2009 nil)

DIRECTORS

The directors who served in the year were as follows

A Hanges	Chairman
D Smith	
G Wainer	
S Sullivan	
C Wallis	
C Monedero	Appointed 23 April 2010
A Wills	Resigned 1 April 2010

Directors' interests

During the year none of the directors had any interest in the shares of the Company

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the Company contributed £3 000 (2009 £10,000) to charities The company made no political donations or incurred any political expenditure during the year

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 they have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and applicable law

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 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 they have been prepared in accordance with IFRSs as adopted by the EU and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

DIRECTORS' REPORT (Continued)

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

AUDITORS

Pursuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the Board
S Sullivan
Secretary
21 March 2011

INDEPENDENT AUDITOR'S REPORT
to the members of GAM London Limited

We have audited the financial statements of GAM London Limited for the year ended 31 December 2010 (set out on pages 8 to 24) The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

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 auditors' 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 set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

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 December 2010 and of its profit for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the EU 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

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

Ravi Lamba

Ravi Lamba
Senior Statutory Auditor for and on behalf of KPMG Audit Plc.
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

21 March 2011

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Revenue	4	44 510	45 550
Investment Advisory costs professional fees and marketing costs	4	(13 149)	(13 702)
Administrative expenses	4	(26,463)	(25 306)
Other operating expenses	4	(74)	(42)
Operating profit		4 824	6 500
Finance income / (epxense)	4	(42)	94
Finance cost	4	-	-
Finance income / (expense) - net	4	(42)	94
Profit before income tax		4 782	6,594
Corporation tax expense	5	(1 264)	(2 093)
Profit for the period		3,518	4 501
Other comprehensive income		-	-
Total comprehensive income for the year		3 518	4 501
Profit attributable to			
Equity holders of the Company		3 518	4 501
Total comprehensive income attributable to			
Equity holders of the Company		3,518	4 501

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company		
	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2009	2 025	10 836	12 861
Profit for the period	-	4 501	4 501
Share based payments		613	613
Taxation on share based payments	-	10	10
Dividend paid	-	(6 000)	(6 000)
Balance at 31 December 2009	2,025	9 960	11 985
Profit for the period	-	3 518	3 518
Taxation on share based payments	-	417	417
Dividend paid	-	(6 000)	(6 000)
Balance at 31 December 2010	2 025	7 895	9,920

All balances shown in the above Statement of Changes in Equity are owner related There are no equity balances relating to non-controlling interests

The notes on pages 11 to 24 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

ASSETS	Notes	2010	2009
		£000	£000
Non current assets			
Deferred tax assets	5	1 003	224
Current assets			
Trade and other receivables	8	10 595	7 043
Cash and cash equivalents	9	11 469	16 629
Current tax assets	5	-	1 812
Total current assets		22 064	25 484
TOTAL ASSETS		23 067	25 708
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued Capital	10	2 025	2 025
Retained earnings		7,895	9 960
Total equity		9 920	11,985
Current liabilities			
Trade and other payables	11	12 746	13,723
Current tax liabilities	5	401	-
Total current liabilities		13 147	13 723
TOTAL EQUITY AND LIABILITIES		23 067	25,708

The financial statements on pages 8 to 24 were approved by the board on 21 March 2011 and signed on its behalf by

A Hanges
Director

S Sullivan
Director

STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Cash flows from operating activities			
Receipts from customers		40 958	46 881
Payments to suppliers and employees		(38 250)	(38 663)
Corporation tax paid	5	(1 906)	(1,715)
Net cash flows from operating activities		802	6,503
Cash flows from investing activities			
Interest Received	4	38	73
Net cash flows used in investing activities		38	73
Cash flow from financing activities			
Dividends paid to the Company's shareholders	7	(6 000)	(6 000)
Net cash flows used in financing activities		(6 000)	(6 000)
Net (decrease)/increase in cash and cash equivalents		(5 160)	576
Cash and cash equivalents at 1 January	9	16 629	16 053
Cash and cash equivalents at 31 December		11 469	16 629

The notes on pages 11 to 24 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2010

1 Corporate information

The financial statements of GAM London Limited for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 21 March 2011 GAM London Limited is a limited company incorporated in the United Kingdom

The Company is a wholly owned subsidiary of GAM (U K) Limited a company incorporated in the United Kingdom and registered in England and Wales The ultimate parent undertaking and controlling party of the Company is GAM Holding Ltd a company incorporated in Switzerland The Company's principal place of business and registered office is 12 St James's Place, London SW1A 1NX

The principal activities of the Company are described in the Operating and Financial Review

As GAM London Limited's shares are not publicly traded and the presentation of segmental financial information would be unhelpful in assisting the user of accounts to understand GAM London Limited's business segmental information is not presented

2 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared on a historical cost basis The financial statements are presented in pounds sterling (£) and are rounded to the nearest unit of £1,000 except when otherwise indicated Income and expenses are recorded on an accruals basis

Statement of compliance

A number of new standards amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010 None of these is expected to have a significant effect on the financial statements of the Company for the year ended 31 December 2010 and have therefore not been applied However IFRS 9 (Financial Instruments) if adopted by the EU will become mandatory for the Company's 2013 financial statements and could change the classification and measurement of financial assets The Company does not plan to adopt this standard early and the extent of the impact has not been determined

Foreign currency translation

The functional and presentation currency of GAM London Limited is pounds sterling (£) Transactions in foreign currencies are initially recorded at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the rate of exchange ruling at the statement of financial position date All differences are taken to the statement of comprehensive income Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

The majority of foreign currency transactions are denominated in Euros (EUR), US Dollars (USD), Swiss Francs (CHF), Hong Kong Dollars (HKD) Singapore Dollars (SGD) and Japanese Yen (JPY) The exchange rates used for these currencies at the statement of financial position date were as follows

GBP / EUR	1 1670
GBP / USD	1 5657
GBP / CHF	1 4593
GBP / HKD	12 1708
GBP / SGD	2 0057
GBP / JPY	126 9821

Trade and other receivables

Trade receivables which generally have 30 day terms are recognised at fair value (original invoice amount less an allowance for any uncollectible amounts) and carried at amortised cost using the effective interest rate method

2 **Summary of significant accounting policies** (Continued)

Trade and other payables

Trade payables, which generally have 30 day terms are stated at amortised cost using the effective interest rate method

Revenue

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured Revenue from the provision of asset management services is recognised as the services are provided and includes management fees and performance fees

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

An analysis of revenue streams in presented in Note 4 ('Revenue and Expenses')

Finance income and costs

Finance income comprises interest earned on cash at banks and short-term bank deposits

Corporation Tax

Deferred tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and the liabilities and their carrying amounts for financial reporting purposes

Deferred tax liabilities are recognised for all taxable temporary differences Deferred tax assets are recognised for all deductible temporary differences carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of the unused tax assets and unused tax losses can be utilised

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 statement of financial position date

Revenue expense and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense items applicable

The net amount of sales tax recoverable from, or payable to the taxation authority is included as part of the receivables or payables in the statement of financial position

Cash and cash equivalents

Cash and cash equivalents includes cash in hand deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements estimates and assumptions that affect the application of accounting policies and the reported amounts of assets liabilities income and expenses Actual results could differ from these estimates

The significant estimates and judgements in preparing the Company's financial statements are in connection with any impairment, the valuation of the Company s share based payments, assumptions used in the defined benefit pension scheme and recognition of deferred tax assets

2 Summary of significant accounting policies (Continued)

Post employment benefits

The Company maintains a defined contribution and a defined benefit pension plan

In the case of defined benefit plans the pension expenses and obligations are valued according to the projected unit credit method The corresponding calculations are carried out by independent qualified actuaries The pension expenses recorded in the income statement for the defined benefit pension plan corresponds to the actuarially determined expenses minus the employee contributions and are charged in personnel expenses

Actuarial gains and losses in excess of 10% of the greater of the present value of the plan obligation or the fair value of the plan assets are systematically amortised in the income statement over the expected average remaining service period of employees participating in the plan Pension assets are only recognised in the balance sheet if they are available to the Company as refunds or future reductions in contributions

In the case of defined contribution plans the contributions are expensed when the employees render the corresponding service to the Company

Share based payments

The company maintains a number of share based payment plans in the form of share or share option plans for its employees When such payments are made to employees the fair value of these payments at grant date serves as the basis for calculating the personnel expenses

Share based payments that are not subject to any further conditions are expensed immediately at grant date Share based payments that are subject to the completion of a service period are expensed over the respective service period

Share based payments that are settled in own equity instruments (shares or options) result in a corresponding increase in equity and are not remeasured for subsequent changes in the fair value of the underlying equity instruments Share based payment plans that are settled by the payment of cash are recognised as a liability and are adjusted through the income statement for changes in fair value of the underlying equity instruments until final settlement

3 Risks associated with financial instruments

The Company's activities expose it to a variety of financial risks including credit risk liquidity risk and market risk (which includes foreign currency risk and interest rate risk)

The Company's risk management policies are designed to identify and analyse the risks it faces to set appropriate risk limits and controls and to monitor the risks and adherence to the limits by means of reliable up to date information The Company regularly reviews its risk management policies and systems to reflect changes in business, counterparties markets and the financial instruments that it utilises

The Company's overall strategy and policies for the monitoring and management of financial risk are set by the Board of Directors The Board of Directors delegates the implementation of risk monitoring management and mitigation policies to a number of individuals and teams within the Group including the Risk Management Team / Risk Officer the Legal & Compliance Team and Internal Audit A more detailed discussion of the roles of each of these teams is contained within the Financial Risk Management section of the Directors' Report

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company Credit risk arises from daily operations of the Company The principal source of credit risk arises from the placing of funds with banks trade debtors and accrued income and related-party receivables

Cash held by the Company is held with several large banks Bankruptcy or insolvency by these banks may cause the Company s rights with respect to the cash held by these banks to be delayed or limited The Company monitors the credit rating of each bank on a monthly basis as reported by the major credit rating agencies Additionally the GAM Group Policy on Bank Counterparties issued in July 2010 sets a limit for the maximum exposure permitted to each bank at Group level If the credit quality or the financial position of any bank deteriorates significantly management will move the cash holdings to another bank

3. Risks associated with financial instruments (Continued)

Credit risk (Continued)

Trade debtors and accrued income represents income due from clients in relation to funds under management Given that the Company manages assets on behalf of clients and institutions and that management fees are typically charged to and paid from the underlying funds we manage there is a relatively low risk of default on trade debtors and accrued income

There were no past due related party receivables at the statement of financial position date

At the statement of financial position date the Company's financial assets exposed to credit risk were as follows

	2010 £000	2009 £000
Cash and cash equivalents	11 469	16 629
Trade receivables	4 323	4 386
Receivable from related parties	6 272	2 657
	22 064	23 672

Amounts in the above table are based on the carrying value of all accounts The Company does not have any material past due receivables

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities It is the Company's policy to have enough cash on hand to meet its current obligations At the statement of financial position date the Company had cash and cash equivalents of £11,469,000 (2009 £16 629 000) on hand to meet its current obligations

The following table details the residual contractual maturities of the Company's financial liabilities at 31 December 2010

	On Demand £000	Not more than 6 months £000	6 months to 1 year £000	More than 1 year £000
Accrued expenses	-	10 235	-	-
Payable to related parties	-	1 044	-	-
	-	11 279	-	-

The previous table shows the contractual undiscounted cash flows of the Company's financial liabilities and capital commitments

The following table details the residual contractual maturities of the Company's financial liabilities at 31 December 2009

	On Demand £000	Not more than 6 months £000	6 months to 1 year £000	More than 1 year £000
Accrued expenses	-	8 847	-	-
Payable to related parties	-	3 937	-	-
	-	12,784	-	-

The previous table shows the contractual undiscounted cash flows of the Company's financial liabilities and capital commitments

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates The Company is exposed to interest rate risk through its banking deposits

The Company keeps its excess cash at banks and receives a floating rate of interest on these deposits Management does not actively manage interest rate risk apart from placing excess cash in banks with a market interest rate

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2010

3. Risks associated with financial instruments (Continued)

Interest rate risk (Continued)

At 31 December the Company had the following interest rate exposure

	2010 £000	2009 £000
Cash at bank	-	-
Short term bank deposits	11 469	16 629
	11 469	16 629

At 31 December 2010 if interest rates had been 50 basis points higher with all other variables held constant equity and profit and loss for the period per the statement of comprehensive income would have increased by £84 000 (2009 £61,000)

Had interest rates been 50 basis points lower it would have resulted in an equal but opposite effect on the above financial statement accounts to the amounts shown above on the basis that all other variables remain constant

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates

The Company's business is impacted through its exposure to non-Sterling denominated income, expenses assets and liabilities The currency exposure is managed through the placing of monthly forward currency contracts on foreign currency revenue receipts In addition the Group carries a small exchange position as principal to facilitate the smooth conduct of its business

At 31 December the Company had the following statement of financial position exposure to foreign currency

	2010 £000	2009 £000
EUR	132	40
USD	69	1,214
CHF	(404)	(26)
SGD	(8)	-
JPY	28	24
	(182)	1 252

At 31 December had the pound Sterling strengthened by 10% in relation to all currencies, with all other variables held constant equity and profit for the period per the statement of comprehensive income would have increased by the amounts shown below

	2010 £000	2009 £000
EUR	(12)	(4)
USD	(6)	(110)
CHF	37	2
SGD	1	-
JPY	(3)	(2)
	17	(114)

A 10% weakening in the pound Sterling against the above currencies would have resulted in an equal but opposite effect on the above financial statement accounts to the amounts shown above on the basis that all other variables remain constant

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2010

4 Revenue and expenses

Revenue	2010 £000	2009 £000
Revenue, which is stated net of sales tax comprises		
Fees from advising		
Fund management	15 775	15 273
Distribution and client advisory	28 735	30 277
Total Revenue	44 510	45 550

Finance income - net	2010 £000	2009 £000
Interest income	38	73
Net foreign exchange translation gains/(losses)	(80)	21
	(42)	94

Expense by nature	2010 £000	2009 £000
Advertising and marketing costs	1 538	1,002
Management charge from holding company	8 016	8 353
Investment advisory fees	5,783	4,858
Professional fees	5 828	7,842
Employee benefits expense	16 352	14,416
Other administration costs	2 095	2,537
Other expense	74	42
	39 686	39,050

Investment advisory costs professional fees and marketing costs	13 149	13 702
Administrative expenses	26 463	25 306
Other operating expenses	74	42
	39 686	39 050

Investment advisory fees comprise amounts paid to other group companies or to third parties in respect of sub advisory fees provided to the Company

Employee benefits expense	2010 £000	2009 £000
Salaries and bonuses	12 130	10,444
Social security costs	1 498	1,346
Pension costs - defined contribution plans	241	228
Pension costs - defined benefit plans	607	688
EBT scheme costs	1,493	1 028
Other employment costs	383	682
	16 352	14 416

The average number of employees employed by the Company during the financial year was 52 (2009 57)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2010

4 **Revenue and expenses** (Continued)

Auditor's Remuneration	2010 £000	2009 £000
Fees payable to the Company's auditor for the audit of the Company's accounts	21	22
Fees payable to the Company's auditor for other services - other services pursuant to legislation	5	4
	26	26

Directors' emoluments	2010 £000	2009 £000
Aggregate emoluments	5 665	6 552
Amounts (excluding shares) receivable under long-term incentives schemes included in the above aggregate emoluments	176	126
Highest paid director - aggregate emoluments	2.976	3.923

During the year three directors were also remunerated through the immediate holding company The aggregate of these emoluments amounted to £2 131 000 (2009 two directors with aggregate emolument of £1 950 000) Payments made under long-term incentive schemes included in the prior figure amounted to £1 000 (2009 £2 000) Pension contributions amounted to £71,000 (2009 £90,000) and are not included in the

There were no related party transactions with Directors

5 **Corporation tax**

Major components of tax expense for the years ended 31 December 2010 and 31 December 2009 are

	2010 £000	2009 £000
Profit on ordinary activities before tax	4 782	6 594
Statement of comprehensive income		
UK corporation tax		
Current tax on income for the period	1 614	2 154
Adjustments in respect of prior periods	14	(1)
Current tax expense	1 628	2 153
Deferred tax (income)/expense	(364)	(60)
Corporation tax expense	1 264	2 093

Taxation charged on items credited to equity in the period amounted to £417 000 (2009 £10 000)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2010

5 Corporation tax (Continued)

In 2009 and 2010 the standard rate applying in the UK remained constant at 28% The tax assessed for the period is lower (2009 higher) than the standard rate applying in the UK (28%) The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities at the UK tax rate 28% (2009 28%)	1 339	1,846
Adjustments to tax in respect of prior period	14	(1)
Expenses not deductible for tax purposes	(89)	248
Total taxation - continuing operations	1,264	2,093

Statement of financial position

Current tax assets	2010 £000	2009 £000
Other current tax assets	-	1,812

Current tax liabilities	2010 £000	2009 £000
Other current tax liabilities	401	-

Deferred tax

Deferred tax is calculated in full on the temporary differences under the liability method using a tax rate of 28% (2009 28%)

	2010 £000	2009 £000
Deferred tax asset	1 003	224

The movement on the deferred tax account is shown below

	2010 £000	2009 £000
At beginning of period	224	159
Statement of comprehensive income credit/(charge)	364	60
Revenue reserve credit/(charge)	415	5
At end of period	1,003	224

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below

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

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2010

5 Corporation tax (Continued)

Deferred tax (Continued)

Deferred tax assets - Recognised	Provisions	Accelerated tax depreciation	Total
	£000	£000	£000
At 1 January 2010	215	9	224
Statement of comprehensive income credit/(charge)	366	(2)	364
Revenue reserve credit	415	-	415
At 31 December 2010	996	7	1 003

Assets receivable in less than 12 months	-
Assets receivable in 12 months or more	1 003
	1 003

There were no deferred tax liabilities as at 31 December 2010 (2009 nil)

Statement of cash flows	2010	2009
	£000	£000
Corporation tax paid	1 906	1 715

6 Employee benefits

Employee share incentive plans

Employee Share Participation Scheme
The employee share participation scheme is a 12 month employee benefit scheme In March 2009, employees were invited to purchase shares in Julius Baer Holding Ltd For every three shares purchased by the employee a further free share was granted which would ultimately vest on the employee in March 2010 as long as the employee remained in the employment of one of the GAM Group companies Following the separation of Julius Baer and GAM in October 2009 these awards were held as a basket of one new GAM Holding Limited share and one new Julius Baer Group Limited share for each old Julius Baer Holding Ltd share

	2010	2009
	£000	£000
Value of options at scheme inception	80	80
Charged to statement of comprehensive income as at 31st December	13	66

6. **Employee benefits** (Continued)

Employee share incentive plans (Continued)

Option Plan

The Long Term Incentive Plans of the Julius Baer Holding Ltd Group were aimed at employees who had a significant influence on the Group's long term development and financial results as well as at the members of the Board of Directors The purpose of the Incentive Plans was to strengthen the long term commitment to the Bank and to foster interdisciplinary teamwork in that the entitled employees are granted Julius Baer Holding Ltd registered shares and/or options on such registered shares whose value depends among other things on the long term success of the organisation as a whole

In line with the objectives of the plans the shares and options were tied to a vesting and forfeiture clause Only after expiration of the vesting period were employees entitled to the registered shares and/or options provided that said employees were in ongoing employment (forfeiture clause) and that the other conditions of the plans are met The shares and options acquired in this way were subject to a sales restriction period Until expiration of the vesting period, the Loteco Foundation managed the shares and options that have been distributed to the beneficiaries within the scope of the Long Term Incentive Plan

The Loteco Foundation hedge their liabilities from the Long Term Incentive Plan on allocation date through purchase of the corresponding shares and/or options The UK group of companies finances these shares and options purchased by Loteco Foundation In the reporting period the UK group of companies recognised the amount of £16 000 as a pre-financed share based payment This asset will be recovered over the vesting period by way of a capital contribution representing the recharge of share based payment made by Loteco Foundation

There were no capital contributions during the year

Following the separation of Julius Baer and GAM in October 2009, these awards were held as a basket of one new GAM Holding Limited share and one new Julius Baer Group Limited share for each old Julius Baer Holding Ltd share

The restrictions on the options partially lifted in two tranches the first tranche after a 14 month period in January 2009 and the second tranche after a 26 month period in January 2010 The final exercise date for the options was 15 December 2010

	2010 £000	2009 £000
Inception value of unforfeited options	1 644	1 644
Charged to statement of comprehensive income as at 31st December	16	409

2009 Long-Term Incentive Plan (GAM Holding Ltd)

On 28 October 2009, the Board of Directors approved the granting of options over GAM Holding Ltd's shares Options were granted to every officer and employee of the Group with an exercise price of CHF 12 28 The restrictions were partially lifted on the same day and are accounted for under IFRIC 17 as a contribution from the ultimate parent company The costs associated with this award are taken directly to reserves The amount taken to the Statement of Comprehensive Income represents the IFRS 2 charge of options granted by GAM Holding Limited to employees of the Company This cost is borne by the Company by way of a recharge

Out of the total option grant to mark the independent listing of GAM Holding Ltd, options over 3 009,247 shares were granted to members of the GAM (U K) Limited group specifically to recognise the efforts of employees in facilitating this event These options vested immediately upon grant subject to certain conditions being fulfilled Options over a further 9 027 740 shares were scheduled to vest in three equal installments on the following three anniversaries of the grant date Save in limited circumstances (not including change of control events) all of the options granted will only be exercisable at the end of the three year vesting period The exercise period and therefore the options expires on 26 January 2013 Each installment is accounted for as a separate share based payment arrangement and therefore the expenses are allocated over the corresponding vesting period of one two or three years

Company	2010 £000	2009 £000
Charged to statement of comprehensive income as at 31st December	1 057	207
Charged to equity as at 31st December	-	613

NOTES TO THE FINANCIAL STATEMENTS
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6. Employee benefits (Continued)

Employee share incentive plans (Continued)

	Number of Options 2010	Weighted average exercise price 2010 CHF	Number of Options 2009	Weighted average exercise price 2009 CHF
Outstanding at the beginning of the year	12 035,706	12 28	-	-
Granted during the year	142,508	15 45	12,036 987	12 28
Exercised during the year	-	-	-	-
Forfeited/cancelled during the year	(185 563)	12 28	(1 281)	12 28
Outstanding at the end of the year	11 992,651	12 32	12 035,706	12 28
Of which exercisable at the end of the year	-	-	-	-

	Options vested on 28/10/2009	Options vesting on 28/10/2010	Options vesting on 28/10/2011	Options vesting on 28/10/2012
Fair value of option at grant date	2 48	2 62	2 63	2 55
Average remaining contractual life (in months)	25	25	25	25
Share price at grant date	12 28	12 28	12 28	12 28
Exercise price	12 28	12 28	12 28	12 28
Expected volatility	40 75%	40 75%	40 75%	40 75%
Expected dividend yield	5 00%	5 00%	5 00%	5 00%
Risk-free interest rate	0 98%	0 98%	0 98%	0 98%
Expense recognised for the period (£000)	5 982	8 082	3 612	1 319

Pensions and other post-employment plans

The immediate holding company, GAM (U K) Limited operates a defined benefit pension scheme and a defined contribution scheme for its employees and those of its subsidiaries including GAM London Limited Details of the schemes are disclosed in the accounts of GAM (U K) Limited

The cost of providing benefits under the plans is determined using the projected unit credit actuarial valuation method Actuarial gains and losses are recognised as income or expense when they exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets at the last balance sheet date The gains or losses are recognised over the expected average remaining working lives of the employees participating in the scheme The Scheme is valued every three years by a professionally qualified independent Actuary The rate of contributions payable is determined by the Actuary on behalf of the Trustees of the Scheme With effect from 1 January 2004 the defined benefits scheme was closed to new entrants and a money purchase section was opened for all new employees

Costs are charged by GAM (U K) Limited to the Company based on the contributions paid on behalf of employees of the Company The contribution rate for the defined benefit plan throughout 2010 was 37 0% (2009 37 0%) of pensionable payroll

	2010 £000	2009 £000
Costs charged to statement of comprehensive income		
Defined contribution pension scheme	241	228
Defined benefit pension scheme	607	688
	848	916

NOTES TO THE FINANCIAL STATEMENTS
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7. Dividends paid and proposed

	2010 £000	2009 £000
Declared and paid during the year		
Equity dividends on ordinary shares		
Final paid	6,000	6 000
Total	6,000	6 000
Dividend paid per share (£)	2 96	2 96

All dividends in 2010 were paid in the same year they are proposed declared and approved

8 Trade and other receivables (current)

	2010 £000	2009 £000
Trade receivables	4 323	4 386
Amounts due from holding company	3 925	-
Receivable from related parties	2 347	2 657
	10 595	7,043

Trade receivables are non-interest bearing and are generally on 30 day terms The net amount of sales tax receivable and sales tax payable is non-interest bearing and is remitted to the appropriate taxation authorities on a quarterly basis Amount due from holding company is interest bearing Interest is charged on the average month end balances at Bank of England base rate plus 0 25%

9 Cash and cash equivalents

	2010 £000	2009 £000
Short-term bank deposits	11 469	16,629
	11 469	16 629

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates The fair value of cash and cash equivalents is £11 469 000 (2009 £16 629 000) For the purposes of the statement of cash flows cash and cash equivalents are shown in the table above

The effective interest rate on short-term bank deposits was 0 4% (2009 0 5%) These deposits have an average maturity of 27 days (2009 28 days)

10. Issued capital

	2010 £000	2009 £000
Authorised		
2 500,000 ordinary shares of £1 each	2 500	2 500
Issued called up and fully paid		
2 025 000 ordinary shares of £1 each	2 025	2 025

There have been no shares issued or redeemed during the financial year ended 31 December 2010 (2009 nil) There are no preferences or restrictions attaching to any share class

The Group manages its capital to ensure that all entities within the Group are able to operate as going concerns and exceed any minimum externally imposed capital requirements The capital of the Group and Company consists of the share capital

The Company is supervised in the UK by the Financial Services Authority ('FSA') The FSA has agreed to waive the Company from consolidated supervision The Company submits quarterly returns to the FSA on its capital adequacy Throughout the year, the Company held significant surplus capital over regulatory requirements

Information as to how the Company manages capital is disclosed in the Directors' Report and in Note 3 to the financial statements

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2010

11 Trade and other payables (current)

	2010 £000	2009 £000
Amounts due to holding company	-	2 381
Social security and other taxes	1 467	939
Accrued expenses	10 235	8 847
Payable to related parties	1 044	1 556
	12 746	13 723

Trade and other payables are non-interest bearing and are normally settled on 30 day terms Amount due to holding company is interest bearing Interest is charged on the average month end balances at Bank of England base rate plus 0 25%

12 Parent undertaking

The immediate parent undertaking into which GAM London Limited is consolidated is GAM (U K) Limited a company incorporated in the United Kingdom and registered in England and Wales

The ultimate parent company is GAM Holding Ltd Zurich a company incorporated in Switzerland The smallest group in which the financial statements of GAM London Limited are consolidated is headed by GAM (U K) Limited The largest group in which the financial statements of GAM London Limited are consolidated is that headed by GAM Holding Ltd Klausstrasse 10 CH-8034 Zurich Copies of the parent s consolidated financial statements may be obtained from GAM Holding Ltd , Zurich

13 Related party transactions

Amounts payable and receivable between related parties are due on demand The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year

Related party - 2010	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
GAM (Schweiz) AG	376	402	161	450
GAM (U K) Limited	-	8 018	3 925	-
GAM Fund Management Limited	-	159	-	40
GAM Hong Kong Limited	205	394	52	14
GAM Limited	22 836	89	2 041	540
GAM Sterling Management Limited	3,625	-	-	-
GAM USA Inc	408	98	93	-

Related party - 2009	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
GAM (Schweiz) AG	768	270	199	89
GAM (U K) Limited	4	8 353	-	2 381
GAM Anlagefonds AG	1	-	-	-
GAM Fund Management Limited	-	152	-	39
GAM Hong Kong Limited	222	355	50	50
GAM Limited	27 591	406	2 392	1 360
GAM Sterling Management Limited	45	-	-	-
GAM USA Inc	71	1	16	-
GAM Holding AG	-	1	-	-

The Company is wholly owned by GAM (U K) Limited The Company's related party receivable with its parent arose primarily as a result of the management services provided by the parent

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14 Contingencies

The Company had no contingent liabilities at 31 December 2010 (2009 nil)