

GAM LONDON LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

Registered Company Number 00874802

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DIRECTORS' REPORT

The Directors submit their report together with the financial statements of GAM London Limited (the Company) for the year ended 31 December 2013.

DIRECTORS

The Directors who served in the year were as follows:

Richard Cull
Andrew Hanges
Tomas Hazleton (resigned 5 July 2013)
Clementa Monedero
Darren Nicholls (appointed 12 November 2013)
Graham Wainer
Craig Wallis

Directors' interests

During the year none of the Directors had any interest in the shares of the Company.

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 all Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report, the Strategic 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 a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Company's auditors, KPMG Audit Plc, has notified the Company that it is not seeking reappointment. KPMG LLP is willing to succeed KPMG Audit Plc as auditor and, on the recommendation of the Board of Directors, a resolution proposing its appointment will be put to the Board of Directors' Meeting of the Company.



By order of the Board
C Fletcher
Secretary
26 February 2014

STRATEGIC REPORT**PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of distribution of funds sponsored and operated by the GAM Group (being GAM Holding AG and all its subsidiaries and associated companies). Additionally, the Company also provides investment management services to certain GAM funds and other third party clients on a discretionary and non discretionary basis. The Company is regulated by the Financial Conduct Authority (FCA).

REVIEW OF THE COMPANY'S BUSINESS**Capital structure of the Company**

The Company had issued capital at 31 December 2013 of £2,025,000 (2,025,000 ordinary shares of £1 each in issue), all held by GAM (U.K.) Limited, a company registered in the United Kingdom.

Review of the business and future developments

In 2013, the value of the Company's distribution activities increased by 12.40%. Its Assets under Management (AuM) fell by 57%, primarily due to the continued transfer of UK non private client discretionary managed activities to its sister company, GAM International Management Limited. The AuM of its remaining discretionary managed client activities remained steady during the year. The Company's position remains solid. The Company is committed in continuing to deliver high quality distribution services to the GAM Group and Investment management services to its clients and remains convinced that GAM's relative performance and active management approach will enable it to continue to capture substantial flows of new money.

FINANCIAL REVIEW

During the year to 31 December 2013, the Company made a profit after taxation of £1,896,000 (2012: £2,187,000).

Dividends of £4,923,000 (2012: £3,500,000) were declared and paid during the year. On 13 February 2014 the Board of Directors declared an interim dividend of £1,264,000 - which is not reflected in these accounts.

Key performance indicators

Client AuM has decreased in 2013 to £1,425 million (2012: £3,300 million).

The Company monitors its cost/income ratio on a monthly basis, which for the year ended 31 December 2013 was 86% (2012: 91%).

PRINCIPAL RISKS

The principal risk facing the UK Group is a reduction in AuM arising from adverse external market movements. The UK Group addresses this risk through diligent attention to the asset allocation process.

Key risks

Risk is inherent in the nature of the UK Group's business and activities. The key categories of risks to which the UK Group is exposed are:

- Operational risk in relation to how it conducts its business activities; and
- Market risk in relation to the value of AuM that underpins revenue streams and the exposure to adverse movements in foreign exchange rates.

STRATEGIC REPORT (Continued)

These risks have been reviewed and stress tested in the UK Group's ICAAP. Each risk is discussed in greater detail below:

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The UK Group has a dedicated Risk Management function which facilitates the ongoing identification, assessment, monitoring, controlling and mitigation of risks.

The UK Group manages these risks through an Operational Risk Framework comprising of procedures that seek to ensure the most significant risk exposures are identified, assessed, controlled and monitored. The Risk Management Framework includes: Key Risk Indicators, Control Self Certification, Errors Management and Reporting and Analysis.

Market risk

Market risk arises indirectly in relation to the value of AuM that underpins revenue streams. The UK Group's balance sheet is not directly impacted by Market risk as it does not regularly hold any material proprietary positions at the UK Group level. When these are held they are stress tested and additional capital held in accordance with ICAAP requirements.

Foreign exchange risk

Foreign exchange risk is the exposure of the UK Group's financial condition to adverse movements in exchange rates. The UK Group is primarily exposed to foreign exchange movements from its non-sterling revenue and expense streams and from its non-sterling assets and liabilities such as cash and net counterparty trade debtors and creditors. While the UK Group does not actively hedge its Profit and Loss exposure to foreign exchange movements at the UK Group level, this exposure is managed on a global basis at the GAM Group level. The UK Group separately manages its own foreign exchange Balance Sheet exposure.

Interest rate risk

Interest rate risk is the exposure of the UK Group's financial condition to adverse movements in interest rates. Changes in interest rates do not affect the UK Group's earnings by materially changing its net interest income nor the level of other interest-sensitive income and operating expenses. Such a movement in interest rates does not affect the underlying value of the UK Group's assets and liabilities nor materially change the present value of future cash flows.

The UK Group does not rely on interest income to fund its operations and has no material debt and as a result would not be materially affected by a 200 basis point movement in interest rates. Therefore, the UK Group considers that Interest rate risk is not material.

Pension risk

The UK Group has both a Defined Benefit Pension Scheme and a Defined Contribution Pension Scheme. The UK Group took action to mitigate its future exposure to pension risk by closing its Defined Benefit Pension Scheme to new employees in 2004 and in 2012 it took further steps to limit the potential volatility of its Pension risk by restructuring its Defined Benefit Pension Scheme offering to active members.

Other risks

The UK Group is also exposed to Credit and Liquidity risk (see Note 3). Other risks including Insurance risk, Concentration risk, Residual risk and Securitisation risk have also been considered. These risks are not deemed to be material.

Pillar 3 Regulatory capital disclosure

In accordance with the rules of the FCA, the UK Group has published information on its risk and Management objectives and policies, and on its regulatory capital requirements and resources. This information is available by visiting the GAM website <https://www.gam.com/en/Legal/>.



By order of the Board
C Fletcher
Secretary
26 February 2014

We have audited the financial statements of GAM London Limited for the year ended 31 December 2013 set out on pages 5 to 20. 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 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 set out on page 1, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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 Strategic Report and 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
Senior Statutory Auditor for and on behalf of KPMG Audit Plc,
Chartered Accountants
15 Canada Square
London
E14 5GL

26 February 2014

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

| | Notes | 2013 £000 | 2012 £000 |
|--|-------|--------------|--------------|
| Revenue | 4 | 27,830 | 35,914 |
| Investment advisory costs, professional fees and marketing costs | 4 | (8,325) | (11,509) |
| Administrative expenses | 4 | (17,439) | (21,372) |
| Other operating expenses | 4 | (42) | (59) |
| Operating profit | | 2,024 | 2,974 |
| Finance income / (expense) - net | 4 | (135) | (17) |
| Profit before income tax | | 1,889 | 2,957 |
| Corporation tax expense | 5 | 7 | (770) |
| Profit for the period | | 1,896 | 2,187 |
| Total comprehensive income for the year | | <u>1,896</u> | <u>2,187</u> |
| Profit attributable to: | | | |
| Equity holders of the Company | | <u>1,896</u> | <u>2,187</u> |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | <u>1,896</u> | <u>2,187</u> |

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 2012 | 2,025 | 10,214 | 12,239 |
| Profit for the period | - | 2,187 | 2,187 |
| Taxation on share based payments | - | - | - |
| Dividend paid | - | (3,500) | (3,500) |
| Balance at 31 December 2012 | 2,025 | 8,901 | 10,926 |
| Profit for the period | - | 1,896 | 1,896 |
| Taxation on share based payments | - | 585 | 585 |
| Dividend paid | - | (4,923) | (4,923) |
| Balance at 31 December 2013 | <u>2,025</u> | <u>6,459</u> | <u>8,484</u> |

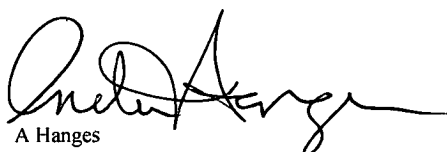
All balances shown in the above Statement of Changes in Equity are owner related. There are no equity balances relating to non-controlling interests.

The notes on pages 8 to 20 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2013

| ASSETS | Notes | 2013 £000 | 2012 £000 |
|--|-------|--------------|--------------|
| Non current assets | | | |
| Deferred tax assets | 5 | 419 | 43 |
| Current assets | | | |
| Trade and other receivables | 8 | 4,710 | 10,588 |
| Cash and cash equivalents | 9 | 11,083 | 9,065 |
| Current tax assets | 5 | 274 | - |
| Total current assets | | 16,067 | 19,653 |
| TOTAL ASSETS | | 16,486 | 19,696 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the parent | | | |
| Issued Capital | 10 | 2,025 | 2,025 |
| Retained earnings | | 6,459 | 8,901 |
| Total equity | | 8,484 | 10,926 |
| Current liabilities | | | |
| Trade and other payables | 11 | 8,002 | 8,676 |
| Current tax liabilities | 5 | - | 94 |
| Total current liabilities | | 8,002 | 8,770 |
| TOTAL EQUITY AND LIABILITIES | | 16,486 | 19,696 |

The financial statements on pages 5 to 20 were approved by the Board on 26 February 2014 and signed on its behalf by:


A Hanges
Director

STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

| | Notes | 2013 £000 | 2012 £000 |
|--|-------|----------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 33,708 | 36,624 |
| Payments to suppliers and employees | | (26,676) | (35,101) |
| Corporation tax paid | 5 | (152) | (2,040) |
| Net cash flows from operating activities | | <u>6,880</u> | <u>(517)</u> |
| Cash flows from investing activities | | | |
| Interest received | 4 | <u>61</u> | <u>68</u> |
| Net cash flows used in investing activities | | <u>61</u> | <u>68</u> |
| Cash flow from financing activities | | | |
| Dividends paid to the Company's shareholders | 7 | <u>(4,923)</u> | <u>(3,500)</u> |
| Net cash flows used in financing activities | | <u>(4,923)</u> | <u>(3,500)</u> |
| Net (decrease)/increase in cash and cash equivalents | | 2,018 | (3,949) |
| Cash and cash equivalents at 1 January | | <u>9,065</u> | <u>13,014</u> |
| Cash and cash equivalents at 31 December | 9 | <u><u>11,083</u></u> | <u><u>9,065</u></u> |

The notes on pages 8 to 20 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

1. Corporate information

The financial statements of the Company for the year ended 31 December 2013 were approved on 26 February 2014. The Company 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 AG, a company incorporated in Switzerland. The Company's registered office is 12 St James's Place, London SW1A 1NX.

The principal activities of the Company are described in the Strategic Report on page 2.

As the Company's shares are not publicly traded, and as the presentation of segmental financial information would not be helpful in assisting the user of accounts to understand the Company's business, segmental information is not presented.

2. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. The historical cost principle has been applied, with the exception of financial assets at fair value through profit or loss, derivative financial instruments and financial investments available for sale. 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 on or after 1 January 2013. These include:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 and IFRS 7)
Recoverable Amount Disclosures for Non - Financial Assets (Amendments to IAS 36)
IAS 1 - Presentation of Items of Other Comprehensive Income
IAS 19 - Employee Benefits
IFRS 10 - Consolidated Financial Statements
IFRS 12 - Disclosure of Interest in Other Entities
IFRS 13 - Fair Value Measurement

These amendments listed above have had no impact on the financial statements of the Company.

Certain new standards, revisions and interpretations of existing standards were published that must be applied in future financial periods. The UK Group chooses not to adopt these in advance.

Foreign currency translation

The functional and presentation currency of the Company 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 | 1.2020 |
| GBP / USD | 1.6563 |
| GBP / CHF | 1.4730 |
| GBP / HKD | 12.8422 |
| GBP / SGD | 2.0912 |
| GBP / JPY | 174.0803 |

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

2. Summary of significant accounting policies (Continued)

Trade and other receivables

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

Trade and other payables

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

Income

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 unit price 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 is 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.

Tax

Deferred tax is provided for 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.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

2. Summary of significant accounting policies (Continued)

Post employment benefits

The immediate holding company, GAM (U.K.) Limited operates a Defined Benefit Pension Scheme and a Defined Contribution Pension Scheme for its employees and those of its subsidiaries including the Company. Details of the Schemes are disclosed in the consolidated accounts of GAM (U.K.) Limited.

In the case of Defined Benefit Pension Scheme, 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 Scheme corresponds to the actuarially determined expenses minus the employee contributions and are charged in personnel expenses.

The full value of any net liability is recognised in the balance sheet of the holding company, GAM (U.K.) Limited. 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 Pension Scheme, the contributions are expensed when the employees render the corresponding service to the Company.

Share based payments

The Company participates in 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 Head of Risk, the Risk Management Team, the Legal & Compliance Team and Internal Audit.

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 sets a limit for the maximum exposure permitted to each bank. If the credit quality or the financial position of any bank deteriorates significantly Management will move the cash holdings to another bank.

Trade debtors and accrued income represents income due from clients in relation to AuM. 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 managed, 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.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3. Risks associated with financial instruments (Continued)

Credit risk (Continued)

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

| | 2013 £000 | 2012 £000 |
|----------------------------------|---------------|---------------|
| Cash and cash equivalents | 11,083 | 9,065 |
| Trade receivables | 8 | 14 |
| Amounts due from holding company | - | 4,426 |
| Receivable from related parties | 3,921 | 2,646 |
| Accrued income | 781 | 3,502 |
| | <u>15,793</u> | <u>19,653</u> |

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

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 £11,083,000 (2012: £9,065,000) on hand to meet its current obligations.

The following table details the residual contractual maturities, undiscounted cashflows of the Company's financial liabilities at 31 December 2013:

| | On Demand £000 | Not more than 6 months £000 | 6 months to 1 year £000 | More than 1 year £000 |
|----------------------------|----------------------|-----------------------------------|-------------------------------|-----------------------------|
| Accrued expenses | - | 5,098 | - | - |
| Payable to related parties | - | 474 | - | - |
| | <u>-</u> | <u>5,572</u> | <u>-</u> | <u>-</u> |

The following table details the residual contractual maturities, undiscounted cashflows of the Company's financial liabilities at 31 December 2012:

| | On Demand £000 | Not more than 6 months £000 | 6 months to 1 year £000 | More than 1 year £000 |
|----------------------------|----------------------|-----------------------------------|-------------------------------|-----------------------------|
| Accrued expenses | - | 6,243 | - | - |
| Payable to related parties | - | 1,665 | - | - |
| | <u>-</u> | <u>7,908</u> | <u>-</u> | <u>-</u> |

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, as it does not consider it significant, apart from placing excess cash in banks with a market interest rate.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

3. Risks associated with financial instruments (Continued)

Interest rate risk (Continued)

At 31 December the Company had the following interest rate exposure:

| | 2013 £000 | 2012 £000 |
|----------------------------------|---------------|---------------|
| Short term bank deposits | 11,083 | 9,065 |
| Amounts due from holding company | - | 4,426 |
| | <u>11,083</u> | <u>13,491</u> |

At 31 December 2013, 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 £22,000 (2012: £49,000).

Had interest rates been 50 basis points lower, it would have resulted in a decrease of £16,000 (2012: £44,000) 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 via the UK Group. In addition, the UK 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:

| | 2013 £000 | 2012 £000 |
|-----|--------------|--------------|
| EUR | 34 | 28 |
| USD | 15 | (23) |
| CHF | (46) | (297) |
| SGD | - | (8) |
| JPY | - | - |
| | <u>4</u> | <u>(301)</u> |

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 decreased by the amounts shown below:

| | 2013 £000 | 2012 £000 |
|-----|--------------|--------------|
| EUR | (3) | (3) |
| USD | (1) | 2 |
| CHF | 4 | 27 |
| SGD | - | 1 |
| JPY | - | - |
| | <u>-</u> | <u>27</u> |

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 2013

4. Revenue and expenses

| Revenue | 2013 | 2012 |
|---|---------------|---------------|
| | £000 | £000 |
| Revenue, which is stated net of sales tax, comprises: | | |
| Fees from advising: | | |
| Fund management | 1,899 | 12,590 |
| Distribution and client management | 25,931 | 23,324 |
| Total Revenue | 27,830 | 35,914 |

| Finance income - net | 2013 | 2012 |
|---|--------------|-------------|
| | £000 | £000 |
| Interest income | 61 | 68 |
| Net foreign exchange translation gains/(losses) | (196) | (85) |
| | (135) | (17) |

| Expense by nature | 2013 | 2012 |
|--|---------------|---------------|
| | £000 | £000 |
| Advertising and marketing costs | 1,554 | 1,463 |
| Management charge from holding company | 4,197 | 7,567 |
| Investment advisory fees | 4,159 | 7,465 |
| Professional fees | 2,612 | 2,581 |
| Employee benefits expense | 11,354 | 11,621 |
| Other administration costs | 1,888 | 2,184 |
| Other expense | 42 | 59 |
| | 25,806 | 32,940 |

| | | |
|--|---------------|---------------|
| Investment advisory costs, professional fees and marketing costs | 8,325 | 11,509 |
| Administrative expenses | 17,439 | 21,372 |
| Other operating expenses | 42 | 59 |
| | 25,806 | 32,940 |

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

During the year, no payments were made in relation to litigation matters and no specific provisions are included in the results.

| Employee benefits expense | 2013 | 2012 |
|---|---------------|---------------|
| | £000 | £000 |
| Salaries and bonuses | 8,239 | 8,898 |
| Social security costs | 1,138 | 1,144 |
| Pension costs - Defined Contribution Pension Scheme | 338 | 356 |
| Pension costs - Defined Benefit Pension Scheme | 67 | 230 |
| Long Term Incentive plan costs | 1,265 | 258 |
| Other employment costs | 307 | 735 |
| | 11,354 | 11,621 |

The average number of employees employed by the Company during the financial year was 41 (2012: 50).

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as at 31 December 2013

4. Revenue and expenses (Continued)

| Auditor's Remuneration | 2013 | 2012 |
|---|--------------|--------------|
| | £000 | £000 |
| Fees payable to the Company's auditor for the audit of the Company's accounts | 25 | 20 |
| Fees payable to the Company's auditor for other services - other services pursuant to legislation | 5 | 3 |
| | <u>30</u> | <u>23</u> |
| Directors' emoluments | 2013 | 2012 |
| | £000 | £000 |
| Aggregate emoluments | <u>8,858</u> | <u>4,667</u> |
| Amounts (excluding shares) receivable under long-term incentives schemes included in the above aggregate emoluments | <u>6,169</u> | <u>103</u> |
| Highest paid Director - aggregate emoluments | <u>4,748</u> | <u>2,001</u> |

During the year five (2012: four) Directors were also remunerated through the immediate holding company, or fellow subsidiaries. The aggregate of these emoluments amounted to £4,151,000 (2012: £2,494,000). Payments made under long-term incentive schemes included in the prior figure amounted to £2,622,000 (2012: Nil). Pension contributions amounted to £96,000 (2012: £120,000) and are not included in the above.

There were no related party transactions with Directors.

5. Corporation tax

Major components of tax expense for the years ended 31 December 2013 and 31 December 2012 were:

| | 2013 | 2012 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Profit on ordinary activities before tax | <u>1,889</u> | <u>2,957</u> |
| Statement of comprehensive income | | |
| UK corporation tax | | |
| Current tax on income for the period | 84 | 741 |
| Adjustments in respect of prior periods | <u>3</u> | <u>20</u> |
| Current tax expense | 87 | 761 |
| Deferred tax (income)/expense | <u>(94)</u> | <u>9</u> |
| Corporation tax expense | <u>(7)</u> | <u>770</u> |

Taxation charged on items credited to equity in the period amounted to £20,000 (2012: Nil).

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

5. Corporation tax (Continued)

From April 2013 the standard rate applying in the UK changed from 24% to 23%. The tax assessed for the period is lower than the effective tax rate for the year of 23.25% (2012: 24.5%). The differences are explained below:

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Profit on ordinary activities at the effective UK tax rate 23.25% (2012: 24.5%) | 439 | 724 |
| Adjustments to tax in respect of prior period | 3 | 20 |
| Expenses not deductible for tax purposes | 19 | 26 |
| Tax on Share Options | (797) | - |
| Items taken to reserves | 301 | - |
| Difference in tax rate due to loss carried back | (11) | - |
| Other timing difference | 39 | - |
| | <u>(7)</u> | <u>770</u> |
| Total taxation - continuing operations | | |

Statement of financial position

| | 2013 £000 | 2012 £000 |
|-------------------------------|--------------|--------------|
| Current tax liabilities | | |
| Other current tax assets | 274 | - |
| Other current tax liabilities | <u>-</u> | <u>94</u> |

Deferred tax

Deferred tax is calculated in full on the temporary differences under the liability method using an effective tax rate of 20% (2012: 23%).

| | 2013 £000 | 2012 £000 |
|--------------------|--------------|--------------|
| Deferred tax asset | <u>419</u> | <u>43</u> |

The movement on the deferred tax account is shown below:

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| At beginning of period | 43 | 52 |
| Statement of comprehensive income credit/(charge) | 94 | (9) |
| Revenue reserve credit/(charge) | <u>282</u> | <u>-</u> |
| At end of period | <u>419</u> | <u>43</u> |

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.

| Deferred tax assets - Recognised | Provisions £000 | Accelerated tax depreciation £000 | Total £000 |
|---|--------------------|---|---------------|
| At 1 January 2013 | 38 | 5 | 43 |
| Statement of comprehensive income credit/(charge) | 95 | (1) | 94 |
| Revenue reserve credit | <u>282</u> | <u>-</u> | <u>282</u> |
| At 31 December 2013 | <u>415</u> | <u>4</u> | <u>419</u> |
| Assets receivable in 12 months or more | | | <u>419</u> |
| | | | <u>419</u> |

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

5. Corporation tax (Continued)

Deferred tax (Continued)

There were no deferred tax liabilities as at 31 December 2013 (2012: nil).

| Statement of cash flows | 2013 £000 | 2012 £000 |
|-------------------------|--------------|--------------|
| Corporation tax paid | <u>152</u> | <u>2,040</u> |

6. Employee benefits

2009 Long-Term Incentive Plan (GAM Holding AG)

On 28 October 2009, to mark its independent listing, the Board of Directors of GAM Holding AG approved the granting of options (each option corresponding to one share with physical settlement) over its shares to every officer and employee of the GAM Group. Since 2010, further options were granted under this plan, principally to new employees of the GAM Group. It is the current intention to settle these options by delivering to officers and employees only that number of shares equivalent to the difference in value between the exercise price and the share price as at the date of exercise (net physical settlement).

The options which formed the original grant, and which form the vast majority of the plan, all carry an exercise price of CHF 12.28 and vest in four equal, yearly, tranches, with the first tranche having vested at grant. Save in limited circumstances (not including change of control events) options are only exercisable after the end of the three-year vesting period and (with the exception of those modified, as detailed below) expired on 15 March 2013.

Each instalment of options granted is accounted for as a separate 'share-based payment arrangement' with associated expenses allocated over the relevant vesting period. Options were valued using a binomial option pricing model.

In September 2012, 7.2 million options were modified by extending the duration of the options originally granted to employees who did not participate in the 2011 modification offer. These options continued to vest on the existing schedule, at an unchanged exercise price, until 15 March 2013. The short extension was agreed by the Board of Directors of GAM Holding AG to reflect the considerable overlap between the original exercise period, which commenced on 28 October 2012, and the GAM Group's internal restriction on employees trading shares or derivatives over shares ahead of the publication of its annual results. A revaluation of these options has been performed at the date of modification. The resulting increase in fair value of £0.5 million was charged to the income statement in 2012.

In September 2011, 3.6 million options were modified by extending the duration of the options in exchange for a 15% reduction (1.1 million options) in the number of options originally granted to each employee. These options continue to vest on the existing schedule, at an unchanged exercise price, but can only be exercised over a twelve-month period commencing on 28 March 2014. A revaluation of these options has been performed at the date of modification. The resulting increase in fair value of £0.7 million was charged to the income statement over the remaining vesting period (£0.6 million in 2011 and £0.1 million in 2012).

| UK Group | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Charged to statement of comprehensive income as at 31 December | - | 224 |
| Charged to equity as at 31 December | - | - |

| | Number of Options 2013 | Weighted average exercise price 2013 CHF | Number of Options 2012 | Weighted average exercise price 2012 CHF |
|--|------------------------------|---|------------------------------|---|
| Outstanding at the beginning of the year | 11,349,933 | 12.28 | 11,779,865 | 12.28 |
| Granted during the year | - | 12.35 | 425,732 | 12.35 |
| Exercised during the year | (7,171,203) | 13.97 | (410,174) | 13.97 |
| Forfeited/cancelled during the year | <u>(83,494)</u> | 12.35 | <u>(445,490)</u> | 12.35 |
| Outstanding at the end of the year | <u>4,095,236</u> | 12.35 | <u>11,349,933</u> | 12.35 |
| <i>Of which exercisable at the end of the year</i> | - | - | <u>6,789,826</u> | - |

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

6. Employee benefits (Continued)

Employee share incentive plans (Continued)

| | Options granted in 2009 | Options granted in 2010 | Options granted in 2011 | Options granted in 2012 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| <u>Fair value of share options and assumptions</u> | | | | |
| Fair value of option at grant date | 2.48-2.63 | 1.98-2.12 | 1.80-1.97 | 1.18-1.34 |
| Average remaining contractual life (in months) | 15 | - | 10 | 16 |
| Share price at grant date | 12.28 | 11.60 | 12.35 | 10.65 |
| Exercise price | 12.28 | 12.28 | 12.35 | 12.28 |
| Expected volatility | 40.75% | 38.50% | 33.20% | 34.50% |
| Expected dividend yield | 5.00% | 5.00% | 5.00% | 5.00% |
| Risk-free interest rate | 0.98% | 0.51% | 0.40% | 0.10% |
| Expense recognised in 2013 (£000) | - | 68 | 202 | 84 |
| Expense recognised in 2012 (£000) | 934 | 30 | 472 | 248 |

2013 Deferred compensation scheme

On 25 June 2013, members of senior management received share-based grants as a variable deferred element of their total compensation. Subject to recipients continuing employment with the Group on the vesting date of 15 August 2016 they will receive a number of shares calculated on a linear basis on any increase in the price of the shares between the closing price on 24 June 2013 (CHF 14.00) and the average daily closing price over the 124 trading days prior to vesting.

As of the date of grant, the aggregate fair value of the share-based grants amounts to CHF 4.9 million. Expenses are allocated over the relevant vesting period. Options were valued using a Monte-Carlo simulation method.

| | 2013 £000 |
|--|--------------|
| Charged to statement of comprehensive income as at 31 December | 124 |
| Charged to equity as at 31 December | - |

| | Number of Options 2013 | Weighted average exercise price 2013 CHF |
|--|------------------------------|---|
| Outstanding at the beginning of the year | 2,485,713 | 14.00 |
| Granted during the year | - | - |
| Exercised during the year | - | - |
| Forfeited/cancelled during the year | - | - |
| Outstanding at the end of the year | <u>2,485,713</u> | 14.00 |

| | Options vesting on 15/08/2016 |
|--|----------------------------------|
| <u>Fair value share options and assumptions</u> | |
| Fair value of options at grant date | 1.97 |
| Average remaining contractual life (in months) | 31.5 |
| Share price at modified grant date | 14.00 |
| Exercise price | 14.00 |
| Expected volatility | 31.25% |
| Expected dividend yield | 4.50% |
| Risk-free interest rate | 0.17% |
| Incremental expense recognised for the period (£000) | 549 |

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

Pensions and other post-employment plans

GAM (U.K.) Limited operates a Defined Benefit Pension Scheme and a Defined Contribution Pension Scheme for its employees and those of the UK Group. Details of the Schemes are disclosed in the consolidated accounts of GAM (U.K.) Limited.

The cost of providing benefits under the Schemes is determined using the projected unit credit actuarial valuation method. The full value of any net liability is recognised in the balance sheet of the holding company, GAM (U.K.) Limited. Pension assets are only recognised in the balance sheet if they are available to the Company as refunds or future reductions in contributions. 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 Schemes. With effect from 1 January 2004 the Defined Benefits Pension Scheme was closed to new entrants and a money purchase scheme 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 Pension Scheme in 2013 is 20.9% (2012: rate changed from 37.0% to 20.9% in April 2012) of pensionable payroll.

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Costs charged to statement of comprehensive income: | | |
| Defined Contribution Pension Scheme | 338 | 356 |
| Defined Benefit Pension Scheme | 67 | 230 |
| | <u>405</u> | <u>586</u> |

7. Dividends paid and proposed

| | 2013 £000 | 2012 £000 |
|-----------------------------------|--------------|--------------|
| Declared and paid during the year | | |
| Dividends on ordinary shares: | | |
| Interim paid | 4,923 | 3,500 |
| Total | <u>4,923</u> | <u>3,500</u> |
| Dividend paid per share (£) | <u>2.43</u> | <u>1.73</u> |

All dividends in 2013 were paid in the same year they were proposed, declared and approved.

8. Trade and other receivables (current)

| | 2013 £000 | 2012 £000 |
|----------------------------------|--------------|---------------|
| Trade receivables | 8 | 14 |
| Amounts due from holding company | - | 4,426 |
| Receivable from related parties | 3,921 | 2,646 |
| Accrued income | 781 | 3,502 |
| | <u>4,710</u> | <u>10,588</u> |

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%.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2013

| 9. Cash and cash equivalents | 2013 | 2012 |
|-------------------------------------|----------------------|---------------------|
| | £000 | £000 |
| Short-term bank deposits | <u>11,083</u> | <u>9,065</u> |
| | <u><u>11,083</u></u> | <u><u>9,065</u></u> |

Cash at bank 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 £11,083,000 (2012: £9,065,000). 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 0.36% (2012: 0.5%). These deposits have an average maturity of 40 days (2012: 30 days).

| 10. Issued capital | 2013 | 2012 |
|--------------------------------------|--------------|--------------|
| | £000 | £000 |
| Issued, called up and fully paid: | | |
| 2,025,000 ordinary shares of £1 each | <u>2,025</u> | <u>2,025</u> |

There have been no shares issued or redeemed during the financial year ended 31 December 2013 (2012: nil). There are no preferences or restrictions attaching to any share class.

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

The Company is supervised in the UK by the FCA. The Company submits quarterly returns to the FCA on its capital adequacy. Throughout the year, the Company held significant surplus capital over regulatory requirements.

| 11. Trade and other payables (current) | 2013 | 2012 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Social security and other taxes | 893 | 768 |
| Accrued expenses | 5,098 | 6,243 |
| Amounts due to holding company | 1,537 | - |
| Payable to related parties | <u>474</u> | <u>1,665</u> |
| | <u><u>8,002</u></u> | <u><u>8,676</u></u> |

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 the Company's financial statements are consolidated is 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 AG, a company incorporated in Switzerland. The smallest group in which the financial statements of the Company are consolidated is headed by GAM (U.K.) Limited. The largest group in which the financial statements of the Company are consolidated is that headed by GAM Holding AG, Hardstrasse 201, CH-8005 Zurich. Copies of the ultimate parent's consolidated financial statements may be obtained from the Company Secretary.

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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, all of whom are part of the GAM Group, for the relevant financial year.

| Related party - 2013 | 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 | 75 | 556 | 77 | 156 |
| GAM (U.K.) Limited | 42 | 4,197 | - | 1,537 |
| GAM Anlagefonds AG | - | 1,636 | 77 | - |
| GAM Fund Management Limited | - | 28 | - | 1 |
| GAM Holding Limited | - | - | - | 20 |
| GAM Hong Kong Limited | 129 | 77 | 30 | 10 |
| GAM International Management Limited | 2,113 | - | - | - |
| GAM Limited | 19,280 | - | 3,727 | 186 |
| GAM Sterling Management Limited | 2,184 | - | - | - |
| GAM USA Inc | 191 | 941 | 87 | 178 |
| Related party - 2012 | £000 | £000 | £000 | £000 |
| GAM (Schweiz) AG | 132 | 661 | 91 | 277 |
| GAM (U.K.) Limited | 20 | 7,567 | 4,426 | - |
| GAM Anlagefonds AG | - | 1,409 | - | 53 |
| GAM Fund Management Limited | - | 103 | - | 25 |
| GAM Hong Kong Limited | 136 | 61 | 31 | 5 |
| GAM International Management Limited | 2,149 | - | - | - |
| GAM Investment Managers Limited | - | - | - | - |
| GAM Limited | 17,177 | 7 | 2,476 | 1,149 |
| GAM Sterling Management Limited | 2,194 | - | - | - |
| GAM USA Inc | 198 | 1,086 | 48 | 156 |

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.

13. Post balance sheet event

On 13 February 2014 the Board of Directors declared an interim dividend of £1,264,000 - which is not reflected in these accounts.