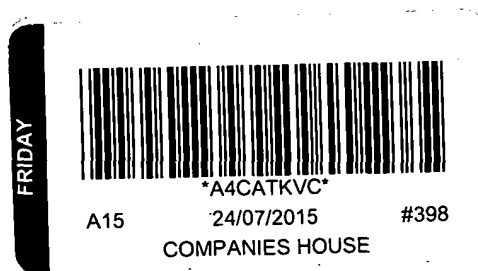


GAM LONDON LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2014



Registered Company Number 00874802

DIRECTORS' REPORT

The Directors submit their report together with the financial statements of GAM London Limited (the Company) for the year ended 31 December 2014.

DIRECTORS

The Directors who served in the year were as follows:

Richard Cull
Andrew Hanges
Clementa Monedero
Darren Nicholls
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 AUDITOR

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 auditor is 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 auditor is aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 IFRS, 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 IFRS 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.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.


By order of the Board
C Fletcher
Secretary

26 February 2015

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 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 2014 of £2,025,000 (2,025,000 ordinary shares of £1 each) (2013: £2,025,000), all held by GAM (U.K.) Limited, a company registered in the United Kingdom.

Review of the business and future developments

In 2014, the value of the Company's distribution activities increased by 4.53%. Its Assets under Management (AuM) increased by 3.4%. The AuM of its 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 flows of new money.

FINANCIAL REVIEW

During the year to 31 December 2014, the Company made a profit after taxation of £3,417,000 (2013: £1,896,000).

Key performance indicators

Client AuM has increased in 2014 to £1,473 million (2013: £1,425 million).

The Company monitors its cost/income ratio on a monthly basis, which for the year ended 31 December 2014 was 84% (2013: 93%).

The return on assets for the year ended 31 December 2014 was 20% (2013: 11%).

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 GAM (U.K.) Limited and its subsidiaries, GAM International Management Limited, GAM London Limited, GAM Sterling Management Limited and GAM Investment Managers Limited (together the UK Group) 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;
- Market risk in relation to the value of AuM that underpins revenue streams; and
- the exposure to adverse movements in foreign exchange rates.

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, Process, Risk and Control Self Assessments, Error Management and Reporting and Analysis.

STRATEGIC REPORT (Continued)**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 is held in accordance with ICAAP requirements.

Foreign exchange risk

Foreign exchange risk is the exposure of the UK Group's financial position 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 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 position 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. This will continue to be monitored as a key risk until remaining exposure to the legacy Defined Benefit Pension Scheme is no longer deemed to be material.

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>.



By order of the Board
C Fletcher
Secretary

26 February 2015

We have audited the financial statements of GAM London Limited for the year ended 31 December 2014 set out on pages 5 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS 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 LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

26 February 2015

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Revenue	4	28,486	27,830
Investment advisory costs, professional fees and marketing costs	4	(5,805)	(8,325)
Administrative expenses	4	(18,301)	(17,439)
Other operating expenses	4	(66)	(42)
Operating profit		4,314	2,024
Finance income / (expense) - net	4	95	(135)
Profit before income tax		4,409	1,889
Corporation tax expense	5	(992)	7
Profit for the period		3,417	1,896
Total comprehensive income for the year		3,417	1,896
Profit attributable to:			
Equity holders of the Company		3,417	1,896
Total comprehensive income attributable to:			
Equity holders of the Company		3,417	1,896

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 2013	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	2,025	6,459	8,484
Profit for the period	-	3,417	3,417
Taxation on share based payments	-	17	17
Dividend paid	-	(2,196)	(2,196)
Balance at 31 December 2014	2,025	7,697	9,722

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

STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
ASSETS			
Non current assets			
Deferred tax assets	5	375	419
Total non current assets		375	419
Current assets			
Trade and other receivables	8	4,592	4,710
Cash and cash equivalents	9	12,830	11,083
Current tax assets	5	-	274
Total current assets		17,422	16,067
TOTAL ASSETS		17,797	16,486
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued Capital	10	2,025	2,025
Retained earnings		7,697	6,459
Total equity		9,722	8,484
Current liabilities			
Trade and other payables	11	7,720	8,002
Current tax liabilities	5	355	-
Total current liabilities		8,075	8,002
TOTAL EQUITY AND LIABILITIES		17,797	16,486

The financial statements on pages 5 to 21 were approved by the Board on 26 February 2015 and signed on its behalf by:



A Hanges
Director

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Cash flows from operating activities			
Receipts from customers		28,604	33,708
Payments to suppliers and employees		(24,400)	(26,676)
Corporation tax paid	5	(304)	(152)
Net cash flows from operating activities		3,900	6,880
Cash flows from investing activities			
Interest received	4	43	61
Net cash flows used in investing activities		43	61
Cash flow from financing activities			
Dividends paid to the Company's shareholders	7	(2,196)	(4,923)
Net cash flows used in financing activities		(2,196)	(4,923)
Net (decrease)/increase in cash and cash equivalents		1,747	2,018
Cash and cash equivalents at 1 January		11,083	9,065
Cash and cash equivalents at 31 December	9	12,830	11,083

The notes on pages 8 to 21 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014**1. CORPORATE INFORMATION**

The financial statements of the Company for the year ended 31 December 2014 were approved on 26 February 2015.

The Company is a private limited company incorporated in the United Kingdom with its registered office at 20 King Street, London, SW1Y 6QY. The Company is a wholly owned direct subsidiary of GAM (U.K.) Limited, a company incorporated in the United Kingdom. The ultimate parent undertaking and controlling party of the Company is GAM Holding AG, a company incorporated in Switzerland.

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 these financial statements 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 2014, however they 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 re-translated to the functional currency at the rate of exchange ruling at the statement of financial position date. All differences are disclosed in 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) and Swiss Francs (CHF). The exchange rates used for these currencies at the statement of financial position date were as follows:

GBP / EUR	1.2886
GBP / USD	1.5593
GBP / CHF	1.5494

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.

An analysis of revenue streams is presented in Note 4 (Revenue and expenses).

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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 IFRS 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share based payments (Continued)

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 GAM Holding AG 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 UK, 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.

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

	2014 £000	2013 £000
Cash and cash equivalents	12,830	11,083
Trade receivables	31	8
Receivable from related parties	3,659	3,921
Accrued income	901	781
	17,421	15,793

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 £12,830,000 (2013: £11,083,000) on hand to meet its current obligations.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014

3. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

The following table details the residual contractual maturities, undiscounted cashflows of the Company's financial liabilities at 31 December 2014:

	On Demand £000	Not more than 6 months £000	6 months to 1 year £000	More than 1 year £000
Accrued expenses	-	5,193	-	-
Payable to related parties	-	1,550	-	-
	-	6,743	-	-

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	-	-
	-	5,572	-	-

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.

At 31 December 2014 the Company had the following interest rate exposure:

	2014 £000	2013 £000
Short term bank deposits	12,830	11,083
	12,830	11,083

At 31 December 2014, 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 £53,000 (2013: £22,000).

Had interest rates been 50 basis points lower, it would have resulted in a decrease of £45,000 (2013: £16,000) to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014

3. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

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 2014, the Company had the following statement of financial position exposure to foreign currency:

	2014 £000	2013 £000
EUR	41	34
USD	168	15
CHF	(316)	(46)
	(107)	3

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:

	2014 £000	2013 £000
EUR	(4)	(3)
USD	(15)	(1)
CHF	29	4
	10	-

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 2014

4. REVENUE AND EXPENSES

Revenue

	2014 £000	2013 £000
Revenue, which is stated net of sales tax, comprises:		
Fees from advising:		
Fund management and Client management fees	3,648	5,027
Distribution fees	23,835	22,803
Fees from services provided to other GAM Group companies	1,003	-
Total Revenue	28,486	27,830

Finance income - net

	2014 £000	2013 £000
Interest income	43	61
Net foreign exchange translation gains/(losses)	52	(196)
	95	(135)

Expense by nature

	2014 £000	2013 £000
Advertising and marketing costs	1,784	1,554
Management charge from holding company	5,988	4,197
Investment advisory fees	2,434	4,159
Professional fees	1,587	2,612
Employee benefits expense	10,551	11,354
Other administration costs	1,762	1,888
Other expense	66	42
	24,172	25,806
Investment advisory costs, professional fees and marketing costs	5,805	8,325
Administrative expenses	18,301	17,439
Other operating expenses	66	42
	24,172	25,806

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

	2014 £000	2013 £000
Salaries and bonuses	8,343	8,239
Social security costs	1,109	1,138
Pension costs - Defined Contribution Pension Scheme	330	338
Pension costs - Defined Benefit Pension Scheme	48	67
Long Term Incentive plan costs	435	1,265
Other employment costs	286	307
	10,551	11,354

The average number of employees employed by the Company during the financial year was 42 (2013: 41).

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014

4. REVENUE AND EXPENSES (Continued)

Auditor's Remuneration

	2014 £000	2013 £000
Fees payable to the Company's auditor for the audit of the Company's accounts	25	25
Fees payable to the Company's auditor for other services - other services pursuant to legislation	-	5
	25	30

Directors' emoluments

	2014 £000	2013 £000
Aggregate emoluments	2,776	8,858
Amounts (excluding shares) receivable under long-term incentives schemes included in the above aggregate emoluments	-	6,169
Highest paid Director - aggregate emoluments	1,409	4,748

During the year four (2013: five) Directors were also remunerated through the immediate holding company, or fellow subsidiaries. The aggregate of these emoluments amounted to £1,592,000 (2013: £4,151,000) of this figure, payments made under long-term incentive schemes amounted to £31,000 (2013: £2,622,000). Pension contributions of £46,000 (2013: £96,000) 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 2014 and 31 December 2013 were:

	2014 £000	2013 £000
Profit on ordinary activities before tax	4,409	1,889

Statement of comprehensive income

UK corporation tax

Current tax on income for the period	950	84
Adjustments in respect of prior periods	(2)	3
Current tax expense	948	87
Deferred tax (income)/expense	44	(94)
Corporation tax expense	992	(7)

Taxation charged on items credited to equity in the period amounted to £1,505 (2013: £20,000).

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014

5. CORPORATION TAX (Continued)

From April 2014 the standard rate applying in the UK changed from 23% to 21%. The tax assessed for the period is higher than the effective tax rate for the year of 21.49% (2013: 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities at the effective UK tax rate 21.49% (2013: 23.25%)	947	439
Adjustments to tax in respect of prior period	(2)	3
Expenses not deductible for tax purposes	50	19
Tax on Share Options	-	(797)
Items taken to reserves	-	301
Difference in tax rate due to loss carried back	-	(11)
Other timing difference	-	39
Effects of other tax rates	(3)	-
Total taxation - continuing operations	992	(7)

Statement of financial position

	2014 £000	2013 £000
Current tax liabilities		
Other current tax assets	-	274
Other current tax liabilities	355	-

Deferred tax

Deferred tax is calculated in full on the temporary differences under the liability method using an effective tax rate of 20% (2013: 20%).

	2014 £000	2013 £000
Deferred tax asset	376	419

The movement on the deferred tax account is shown below:

	2014 £000	2013 £000
At beginning of period	419	43
Statement of comprehensive income credit/(charge)	(44)	94
Revenue reserves credit/(charge)		282
At end of period	375	419

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 2014	415	4	419
Statement of comprehensive income credit/(charge)	(44)	-	(44)
At 31 December 2014	371	4	375
Assets receivable in 12 months or more			375

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014

5. CORPORATION TAX (Continued)

Deferred tax (Continued)

There were no deferred tax liabilities as at 31 December 2014 (2013: nil).

Statement of cash flows

	2014	2013
	£000	£000
Corporation tax paid	304	152

6. EMPLOYEE BENEFITS

Employee share incentive plans

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 2011, given concerns that the severity and likely duration of the economic downturn would frustrate certain key objectives for the plan, the Board of Directors decided to offer employees, other than members of senior management, the opportunity to extend the duration of their options. 7.3m options were modified by extending the duration of the options in exchange for 15% reduction (1.1 million options) in the number of options originally granted to each employee. The options for participants who took up this offer continue to vest on the existing schedule, but can only be exercised over a 12 month period which commenced on 28 March 2014.

UK Group	2014		2013	
	£000		£000	
Charged to statement of comprehensive income as at 31 December	-		-	
Charged to equity as at 31 December	-		-	
	Number of Options 2014	Weighted average exercise price 2014 CHF	Number of Options 2013	Weighted average exercise price 2013 CHF
Outstanding at the beginning of the year	4,095,236	12.28	11,349,933	12.28
Granted during the year	-	-	-	12.35
Exercised during the year	(3,296,535)	12.30	(7,171,203)	13.97
Forfeited/cancelled during the year	(1,955)	12.28	(83,494)	12.35
Outstanding at the end of the year	796,746	12.35	4,095,236	12.35
<i>Of which exercisable at the end of the year</i>	<i>796,746</i>	<i>-</i>	<i>-</i>	<i>-</i>

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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)	3	-	-	4
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 2014 (£000)	-	-	60	34
Expense recognised in 2013 (£000)	-	68	202	84

2013 Deferred compensation scheme

On 25 June 2013, members of senior management were granted 2,485,713 share (options) as a variable deferred element of their total compensation for 2013. The options carry a strike price of CHF 14.00 (closing price of the share on 24 June 2013) and will vest on 15 August 2016, subject to recipients continuing to be employed with the Group on the vesting date. Settlement of the options will be by delivering of the number of GAM Holding AG shares equivalent to the difference in value between the strike price and the share's average daily closing price on the 124 trading days prior to vesting (physical net settlement).

As at the date of grant, the aggregate fair value of the options amounted to CHF 4.2m. Expenses are allocated over the relevant vesting period. In 2014, an expense of £1,007,000 was recognised (2013: £575,000). The options were valued using a Monte-carlo simulation approach. No options were exercised during 2014 (2013: nil).

UK Group	2014 £000
Charged to statement of comprehensive income as at 31 December	1,007
Charged to equity as at 31 December	-

	Number of Options 2014	Weighted average exercise price 2014 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	2,485,713	14.00

	Options vesting on 15/08/2016
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Fair value share options and assumptions

Fair value of options at grant date	1.97
Average remaining contractual life (in months)	19.5
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 in 2014 (£000)	1,007
Incremental expense recognised in 2013 (£000)	575

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014

6. EMPLOYEE BENEFITS (Continued)

Three-Year variable restricted share (VRS) scheme

On 20 January 2015, members of senior management were granted 196,627 VRS units (options) as a variable deferred element of their total compensation for 2014, which will vest in equal tranches of 33.3% on the first three anniversaries of the grant date subject to recipients continuing to be employed with the Group on the vesting date. The final number of shares that vest is dependent on the performance of the GAM Holding AG shares over the three years following the grant of the VRS units:

- Should the share price fail to increase relative to the price on the grant date (CHF 15.45), the plan participants will receive zero GAM Holding AG shares. The award is therefore fully at risk.
- The target share price appreciation for the GAM Holding AG shares over the three year vesting period is set at 50%.
- If the 50% target increase is achieved, then each VRS unit will entitle the plan participants to one GAM Holding AG share.
- Should the share price appreciate by 200% (three times the share price on the date of grant) or more, they are entitled to two GAM Holding AG shares. Awards are capped at two times the number of VRS units originally granted.

The VRS units will be automatically physically settled three years after grant date. The settlement price of the VRS units is determined by the average daily closing share price on the 124 trading days prior to the vesting date.

As at the date of grant, the aggregate fair value of the VRS units amounted to £675,000. Expenses are allocated over the relevant vesting period (starting 1 January 2014). In 2014, an expense of £270,000 was recognised. The VRS units were valued using a Monte Carlo simulation approach.

UK Group	VRS Units granted on 20/01/2015
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Fair value VRS units options and assumptions

Fair value of VRS units at grant date	4.81
Average remaining contractual life (in months)	37.0
Share price at modified grant date	15.45
Strike price	15.45
Expected volatility	27.40%
Expected dividend yield	5.00%
Risk-free interest rate	-0.72%
Incremental expense recognised for the period (£000)	270

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2014

6. EMPLOYEE BENEFITS (Continued)

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 Benefit Pension Scheme was closed to new entrants and a Defined Contribution Pension 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 2014 is 20.9% (2013: 20.9%) of pensionable payroll.

	2014 £000	2013 £000
Costs charged to statement of comprehensive income:		
Defined Contribution Pension Scheme	330	338
Defined Benefit Pension Scheme	48	67
	378	405

7. DIVIDENDS PAID AND PROPOSED

	2014 £000	2013 £000
Declared and paid during the year		
Dividends on ordinary shares:	2,196	4,923
Total	2,196	4,923
Dividend paid per share (£)	1.08	2.43

All dividends in 2014 were paid in the same year they were proposed, declared and approved.

8. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	31	8
Receivable from related parties	3,659	3,921
Accrued income	901	781
	4,592	4,710

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
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9. CASH AND CASH EQUIVALENTS

	2014 £000	2013 £000
Short-term bank deposits	12,830	11,083
	12,830	11,083

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 £12,830,000 (2013: £11,083,000). 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 0.43% (2013: 0.36%). These deposits have an average maturity of 40 days (2013: 40 days).

10. ISSUED CAPITAL

	2014 £000	2013 £000
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 2014 (2013: 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 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)

	2014 £000	2013 £000
Social security and other taxes	883	893
Accrued expenses	5,193	5,098
Amounts due to holding company	94	1,537
Payable to related parties	1,550	474
	7,720	8,002

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, Switzerland. Copies of the ultimate parent's consolidated financial statements may be obtained from the Company Secretary.

NOTES TO THE FINANCIAL STATEMENTS
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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.

	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Related party - 2014				
GAM (Schweiz) AG	349	543	45	197
GAM (U.K.) Limited	1,003	5,990	-	94
GAM Anlagefonds AG	736	1,372	362	270
GAM Fund Management Limited	-	15	-	1
GAM Hong Kong Limited	115	167	28	17
GAM International Management Limited	1,475	-	-	-
GAM Holding AG	-	-	-	156
GAM Limited	18,797	-	3,166	908
GAM Sterling Management Limited	2,890	-	-	-
GAM USA Inc	165	17	58	1
Related party - 2013				
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 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

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.