

Poalim Asset Management (UK) Limited

31 December 2015

Directors' report and financial statements

Registered number 4212445



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015

The Company and its Environment

The Company is wholly owned by PAM Holdings Ltd.

PAM Holdings Limited is wholly owned by Poalim Betvuna Ltd, an Israeli corporation wholly owned by Bank Hapoalim B.M., an Israeli banking corporation.

The Company acts as the investment manager of the three Poalim Global Multi Manager Funds.

The Board of Directors of the Company includes senior officers of Bank Hapoalim B.M.

The Company is authorised and regulated by the FCA and is also subject to internal audit reviews, conducted by RSM Risk Assurance Services LLP, and external audit.

Directors and directors' interests

The directors who held office during the year were as follows:

Amir Aviv

Orit Lerer

Leonardo Leiderman

Catherine Lemaitre

Barry Ben Zeev

Moshe Allouche

Political and charitable donations

The Company made no political or charitable donations during the year.

Policy on the payment of creditors

The Company policy is to agree payment terms in advance and to ensure that these terms are included in the relevant contracts in accordance with these contractual and other legal obligations.

The average payment period was 72 days (84 days in 2014).

Financial Risks

Information on financial risk is presented in the strategic report.

Director's Indemnities

The parent company has made qualifying third party indemnity provisions for the benefit of the Directors and senior management of the company which were made in the year and remain in force at the date of this report.

On behalf of the board



Catherine Lemaitre
18 February 2016

Strategic report

Overview

The activities of the Company during the year included the marketing and investment management services for the Poalim Global Multi Manager Funds which are all Irish listed open-ended investment companies. In 2015 the Company was also involved in the distribution of hedge funds and long-only funds with different partners.

The Company key performance indicators are assets under management of US\$155m (US\$227m in 2014) and revenue per head £470,314 (£512,965 in 2014).

Future developments

In 2016 the Company will continue to broaden its product and service offering in conjunction with the objectives of the Global Private Bank of Bank Hapoalim BM. The Company believes that, should it prove necessary, it has sufficient reserves and resources to sustain it through this period.

Business Review

During 2015 the Company continued its involvement in the structuring of products and advising on the distribution and marketing of structured product third party notes via Bank Hapoalim (Schweiz) AG.

Results and dividend

The results of the Company for the year ended 31 December 2015, after providing for taxation, show a profit of £1,995,153 (profit of £1,750,206 in 2014). No dividend was approved in 2015 (nil in 2014).

Principal risk and uncertainties

Overview

The Board of Directors is responsible for determining the level of risk acceptable to the Company. This is subject to a regular review.

The Company seeks to mitigate its risks through the application of strict limits and controls, a monitoring process at operational level, and the use of insurance policies where appropriate. The Company has quarterly board meetings to manage the business including risks.

Market risk

The Company's revenues give rise to market risk, which is partly mitigated by the fee share arrangements accounting for 39% of turnover (2014: 41%).

Foreign currency risk

The Company is exposed to FX risk as most of the income is in USD. The company is aware of this, but takes no efforts to hedge against the exposure. The company pays some of its major expenses in USD as a way of mitigating foreign exchange risk.

Liquidity risk

The Company finances its operations through share capital and retained earnings. Surplus funds are placed on deposit with highly rated banks. The directors believe that any change in the UK interest rates will have a marginal impact on the profitability of the company.

Interest rate risk

The Company has no debt so Interest rate risk is from its cash deposits which earn interest on what is effectively a floating rate basis.

Operational risk

The Company has a Disaster Recovery Plan which has been tested and is reviewed and updated annually. Other operational risks include compliance and risk management. The company has strict operational procedures in these areas. The compliance officer monitors our compliance regularly and reports to the Board of Directors once a quarter.

Strategic report (continued)

Credit risk

The Company is subject to the risk of the inability of any counterparty to perform with respect to transactions whether due to insolvency, bankruptcy or other causes. However given the size of the investment funds which make up the main counterparties and our long term relationship with the majority, we consider this to be a low risk.

On behalf of the board

A handwritten signature in black ink, appearing to read 'Catherine Lemaitre', with a stylized flourish at the end.

Catherine Lemaitre
18 February 2016

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 accounting estimates that are reasonable and prudent;
- follow applicable UK Accounting Standards subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The directors have taken all the appropriate steps to make themselves aware of any information needed by the Company's auditors for the purposes of their audit. The directors have, as far as they are aware, ensured that there is no relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be approved at the annual general meeting.

Pillar 3

Details of the company's unaudited Pillar 3 disclosures, required under the Financial Conduct Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") may be found on the ultimate parent company's website, www.bhibank.com

On behalf of the board



Catherine Lemaitre
18 February 2016

Independent Auditor's Report to the Members of Poalim Asset Management (UK) Limited

We have audited the financial statements of Poalim Asset Management (UK) Limited for the year ended 31 December 2015 which comprise the Balance Sheet, the Income Statement, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC'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 FRC'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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Poalim Asset Management (UK) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Neil Fung-On, (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street, London
United Kingdom
19 February 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year ended 31 December 2015

	<i>Note</i>	2015 £	2014 £
Turnover	1	10,346,912	10,259,306
Administrative expenses		(8,016,949)	(8,185,927)
Operating profit	2	2,329,963	2,073,379
Interest receivable and similar income	5	191,224	181,224
Profit on ordinary activities before taxation		2,521,187	2,254,603
Tax on profit on ordinary activities	6	(526,034)	(504,397)
Profit on ordinary activities after taxation	12	1,995,153	1,750,206

There are no recognised gains or losses other than the retained profit for the year.

All amounts relate to continuing activities.

The notes on pages 12-18 form part of these financial statements.

Balance sheet

at 31 December 2015

Company Number 4212445

	Note	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Tangible assets	7		104,245		164,463
Current assets					
Debtors	8	2,027,618		2,274,041	
Cash at bank and in hand		21,370,869		19,320,117	
		<u>23,398,487</u>		<u>21,594,158</u>	
Creditors: amounts falling due within one year	9	(2,183,720)		(2,433,924)	
		<u></u>		<u></u>	
Net current assets			21,214,767		19,160,234
			<u></u>		<u></u>
Creditors: amounts falling due after one year	10		(140,274)		(141,112)
			<u></u>		<u></u>
Net assets			21,178,738		19,183,585
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	11		1,000,000		1,000,000
Share premium account	12		2,950,000		2,950,000
Profit and loss account	12		17,228,738		15,233,585
			<u></u>		<u></u>
Shareholders' funds			21,178,738		19,183,585
			<u></u>		<u></u>

The notes on pages 12-18 form part of these financial statements.

These financial statements were approved and authorised for issue by the board of directors on the 18 February 2016 and were signed on its behalf by:



Catherine Lemaitre
18 February 2016

Statement of Changes in Equity
for the year ended 31 December 2015

	Share Capital £	Share Premium £	Profit and Loss £	Total Equity £
1 January 2015	1,000,000	2,950,000	15,233,585	19,183,585
Profit for the year	-	-	1,995,153	1,995,153
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2015	1,000,000	2,950,000	17,228,738	21,178,738
	<hr/>	<hr/>	<hr/>	<hr/>

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The notes on pages 12-18 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

Basis of preparing the financial statements

The financial statements have been prepared in accordance with FRS102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the companies Act 2006.

FRS102 is mandatory for accounting period beginning on or after 1 January 2015. The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires the company's management to exercise judgement in applying the company's accounting policies.

The company has taken advantage of exemptions available to qualifying entities and has not prepared a statement of cash flows statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Going concern

The company has sufficient liquid resources and the directors are confident that the company will continue to meet its liabilities as they fall due for the foreseeable future and therefore prepare the financial statements on the going concern basis.

Tangible assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on fixed assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Name of Fixed Asset	Useful Economic Life
Leasehold Improvement	Length of lease
Office Furniture	3 years
Computer Equipment	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax.

Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted.

Notes to the Financial Statements *(continued)*

1 Accounting policies *(continued)*

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Turnover

Turnover arises solely within the United Kingdom and represents amounts (excluding value added tax) charged for acting as Investment Manager to the three Poalim Global Multi Manager Funds and for advising and marketing activities associated with structured products. The company is involved in distribution of long only and hedge funds for which it receives rebates. Investment management fees are based on funds under management and are recognised on accrual basis. Structured products fees are recognised when a product is issued.

Expenses Policy

Administrative expenses are recognised as an expense in the period in which they are incurred.

Leased assets

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Pensions

Contributions to individuals defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.

2 Operating profit

	2015 £	2014 £
<i>This is stated after charging</i>		
Auditors' remuneration:		
Audit	14,100	14,100
Audit related assurance services	3,500	3,500
Other services - including taxation	14,400	20,450
Depreciation and other amounts written off tangible fixed assets:		
Owned	81,390	80,980
Operating leases – other assets	132,985	118,878
Foreign exchange (loss)	(7,577)	(75,314)

3 Remuneration of directors

	2015 £	2014 £
Directors' emoluments	448,688	453,143
Company contributions to money purchase pension schemes	21,263	31,678

Notes to the Financial Statements *(continued)*

3 Remuneration of directors(continued)

The aggregate of emoluments of the highest paid director was **£418,986**(2014: £425,987), and company pension contributions of **£21,263** (2014: £31,678) were made to a money purchase scheme on behalf of that director.

	Number of directors	
	2015	2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1

4 Staff numbers and costs

	2015	2014
	£	£
Wages and salaries	2,349,294	2,334,756
Social security costs	308,293	310,542
Other pension costs	199,205	201,116
	<u>2,856,792</u>	<u>2,846,414</u>

The average number of persons employed by the company (including directors) during the year was 22 (20 in 2014). Staff costs are included in administrative expenses.

5 Interest receivable and similar income

	2015	2014
	£	£
Bank interest receivable	191,224	181,224

6 Taxation

Analysis of charge in year

	2015	2014
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	526,034	504,397

Notes to the Financial Statements (continued)

6 Taxation (continued)

The tax charge for the year is lower than the standard rate of UK corporation tax (20.25%) due to the differences shown below.

	2015 £	2014 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	2,521,187	2,254,603
	<hr/>	<hr/>
Current tax at 20.25% (2014: 21.49%)	510,540	484,514
<i>Effects of:</i>		
Expenses not deductible for tax purposes	11,684	1,055
Capital Allowances in deficit of depreciation	7,689	13,979
Timing difference	(3,879)	4,849
	<hr/>	<hr/>
Total current tax charge (see above)	526,034	504,397
	<hr/>	<hr/>

7 Tangible fixed assets

	Computer Equipment £	Office Equipment £	Leasehold Improvements £	Total £
<i>Cost</i>				
At beginning of year	77,894	104,394	154,548	336,836
Additions	18,300	2,872	-	21,172
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	96,194	107,266	154,548	358,008
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	51,149	63,537	57,687	172,373
Charge for year	18,541	31,939	30,910	81,390
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	69,690	95,476	88,597	253,763
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2015	26,504	11,790	65,951	104,245
At 31 December 2014	26,745	40,857	96,861	164,463
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements *(continued)*

8 Debtors

	2015 £	2014 £
Trade debtors	1,468,896	1,605,067
Amounts owed by group undertakings	336,035	451,115
Other debtors	1,817	1,425
Prepayments and accrued income	220,870	216,434
	<u>2,027,618</u>	<u>2,274,041</u>

All debtor amounts fall due for repayment within one year.

9 Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	63,519	134,199
Amounts owed to group undertakings	948,290	1,098,242
Other taxation and social security	170,154	196,620
Other creditors	704,656	748,420
Corporation tax	297,100	256,443
	<u>2,183,720</u>	<u>2,433,924</u>

10 Creditors: amounts falling due after one year

	2015 £	2014 £
Other taxation and social security	17,010	17,112
Other creditors	123,264	124,000
	<u>140,274</u>	<u>141,112</u>

11 Called up share capital

	2015 £	2014 £
<i>Authorised</i>		
Ordinary shares of £1.00 each	<u>1,000,000¹</u>	<u>1,000,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1.00 each	<u>1,000,000</u>	<u>1,000,000</u>

Notes to the Financial Statements *(continued)*

12 Share premium and reserves

	Share premium account £	Profit and loss account £
At beginning of year	2,950,000	15,233,585
Retained profit for the year	-	1,995,153
At end of year	<u>2,950,000</u>	<u>17,228,738</u>

13 Pension scheme

The company made contributions to personal pension schemes totalling **£199,205** (2014:£201,116). Contributions totalling **£667** (2014: £667) were payable at the balance sheet date.

14 Commitments under operating leases

The company had total future minimum lease payments under non-cancellable operating leases as set out below:

	2015 £	2014 £
	Land and buildings	Land and buildings
Operating leases which expire:		
Within one year	111,144	111,144
In one to five years	111,144	222,288

15 Related party disclosures

The company is controlled by PAM Holdings Ltd. The ultimate controlling party is Bank Hapoalim BM.

16 Ultimate parent company and parent undertaking of larger group of which the company is a member

PAM Holdings Ltd, a company registered in England & Wales, is the Company's immediate controlling entity and the parent undertaking of the smallest group for which group financial statements are drawn up.

Bank Hapoalim BM, a company incorporated in Israel, is the Company's ultimate controlling entity, also being the ultimate parent company and the parent undertaking of the largest such group.

Copies of group financial statements prepared in respect of PAM Holdings Ltd may be obtained from the Company Secretary, Hackwood Secretaries, One Silk Street, London EC2Y 8HQ; copies of the group financial statements prepared in respect of Bank Hapoalim BM can be obtained from Bank Hapoalim BM, 50 Rothschild Boulevard, Tel-Aviv 66883, Israel.

Notes to the Financial Statements *(continued)*

17 First time adoption of FRS 102

Date of transition to FRS102 is 1 January 2014

	Note	Equity as at 1 January 2014 £	Profit for the year ended 31 December 2014 £	Equity as at 31 December 2014 £
As previously stated under former UK GAAP		17,433,379	1,750,206	19,183,585
Transitional Adjustments	a	-	-	-
As stated in accordance with FRS 102		<u>17,433,379</u>	<u>1,750,206</u>	<u>19,183,585</u>

(a) In the opinion of the directors any adjustments for the effect of transition to FRS102 is immaterial.