

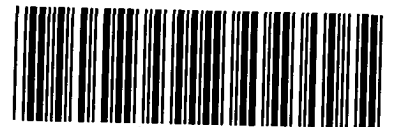
Poalim Asset Management (UK) Limited

31 December 2014

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 2014.

### 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 Baker Tilly, and external audit.

### Directors and directors' interests

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

Amir Aviv

Dan Koller (resigned 26<sup>th</sup> February 2014)

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 84 days (77 days in 2013).

### On behalf of the board



Catherine Lemaitre

19 February 2015

## 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 2014 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\$227m (US\$195m in 2013) and revenue per head £512,965 (£519,296 in 2013).

### Future developments

In 2015 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 2014 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 2014, after providing for taxation, show a profit of £1,750,206 (profit of £1,331,813 in 2013). No dividend was approved in 2014 (nil in 2013).

### 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 41% of turnover (2013:44%).

#### 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

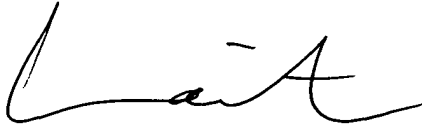
The Company has a Disaster Recovery Plan which has been tested and is reviewed and updated annually. Other operational risks include compliance and risk management. The company has strict operational procedures in these areas. The compliance officer monitors our compliance regularly and reports to the 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 'C. Lemaitre', with a stylized flourish at the end.

Catherine Lemaitre  
19 February 2015

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 have been followed 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 Services 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](http://www.bhibank.com)

### On behalf of the board



Catherine Lemaitre  
19 February 2015

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

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We have audited the financial statements of Poalim Asset Management (UK) Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds 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).

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](http://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 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.



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

19 February 2015

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



**Profit and loss account**  
*for the year ended 31 December 2014*

	<i>Note</i>	<b>2014</b> £	<b>2013</b> £
<b>Turnover</b>	<b>1</b>	<b>10,259,306</b>	<b>9,347,330</b>
<b>Administrative expenses</b>		<b>(8,185,927)</b>	<b>(8,062,880)</b>
<b>Operating profit</b>	<b>2</b>	<b>2,073,379</b>	<b>1,284,450</b>
Interest receivable and similar income	<b>5</b>	<b>181,224</b>	<b>136,601</b>
<b>Profit on ordinary activities before taxation</b>		<b>2,254,603</b>	<b>1,421,051</b>
Tax on profit on ordinary activities	<b>6</b>	<b>(504,397)</b>	<b>(89,238)</b>
<b>Profit on ordinary activities after taxation</b>	<b>12</b>	<b>1,750,206</b>	<b>1,331,813</b>

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 12-17 form part of these financial statements.

## Balance sheet

at 31 December 2014

Company Number 4212445

	Note	2014 £	2014 £	2013 £	2013 £
<b>Fixed assets</b>					
Tangible assets	7		164,463		243,280
<b>Current assets</b>					
Debtors	8	2,274,041		1,969,410	
Cash at bank and in hand		19,320,117		17,312,610	
		<u>21,594,158</u>		<u>19,282,020</u>	
Creditors: amounts falling due within one year	9	(2,433,924)		(1,978,121)	
		<u></u>		<u></u>	
<b>Net current assets</b>			<b>19,160,234</b>		<b>17,303,899</b>
			<u></u>		<u></u>
Creditors: amounts falling due after one year	10		(141,112)		(113,800)
			<u></u>		<u></u>
<b>Net assets</b>			<b>19,183,585</b>		<b>17,433,379</b>
			<u></u>		<u></u>
<b>Capital and reserves</b>					
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		15,233,585		13,483,379
			<u></u>		<u></u>
<b>Shareholders' funds</b>			<b>19,183,585</b>		<b>17,433,379</b>
			<u></u>		<u></u>

The notes on pages 12-17 form part of these financial statements.

These financial statements were approved and authorised for issue by the board of directors on the 19<sup>th</sup> February 2015 and were signed on its behalf by:



Catherine Lemaitre  
19 February 2015

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2014*

	2014 £	2013 £
Profit for the year	1,750,206	1,331,813
Net increase to shareholder's funds	<u>1,750,206</u>	<u>1,331,813</u>
Opening shareholders' funds	17,433,379	16,101,566
Closing shareholders' funds	<u><u>19,183,585</u></u>	<u><u>17,433,379</u></u>

The notes on pages 12-17 form part of these financial statements.

## Notes to the Accounts

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, and on a going concern basis.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights are controlled within the group headed by Bank Hapoalim B.M., whose financial statements are publicly available, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

#### *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.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is recognised to the extent that it is regarded as recoverable. Deferred tax is regarded as recoverable if on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying tax losses can be deducted.

#### *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.

## Notes to the Accounts *(continued)*

### 1 Accounting policies *(continued)*

#### *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

	2014 £	2013 £
<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	20,450	24,430
Depreciation and other amounts written off tangible fixed assets:		
Owned	80,980	60,718
Operating leases – other assets	118,878	240,118
Foreign exchange (gain)	(75,314)	(10,915)

### 3 Remuneration of directors

	2014 £	2013 £
Directors' emoluments	453,143	398,418
Company contributions to money purchase pension schemes	31,678	43,792

The aggregate of emoluments of the highest paid director was **£425,987** (2013: £369,592), and company pension contributions of **£31,678** (2013: £43,792) were made to a money purchase scheme on behalf of that director.

	Number of directors 2014	2013
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1

## Notes to the Accounts *(continued)*

### 4 Staff numbers and costs

	2014 £	2013 £
Wages and salaries	2,334,756	2,050,816
Social security costs	310,542	234,594
Other pension costs	201,116	227,144
	<u>2,846,414</u>	<u>2,512,554</u>

The average number of persons employed by the company (including directors) during the year was 20 (18 in 2013). Staff costs are included in administrative expenses.

### 5 Interest receivable and similar income

	2014 £	2013 £
Bank interest receivable	<u>181,224</u>	<u>136,601</u>

### 6 Taxation

#### Analysis of charge in year

	2014 £	2013 £
<i>UK corporation tax</i>		
Current tax on income for the year	<u>504,397</u>	<u>89,238</u>

## Notes to the Accounts (continued)

### 6 Taxation (continued)

The tax charge for the year is lower than the standard rate of UK corporation tax (21.49%) due to the differences shown below.

	2014 £	2013 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	2,254,603	1,421,051
Current tax at 21.49% (2013: 23.25%)	484,514	330,394
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,055	7,437
Prior year adjustment	-	-
Capital Allowances in (excess)/deficit of depreciation	13,979	(38,915)
Unutilised losses carried forward	-	-
Movement on provisions	4,849	6,012
Utilised losses brought forward	-	(215,690)
Total current tax charge (see above)	504,397	89,238

### 7 Tangible fixed assets

	Computer Equipment £	Office Equipment £	Leasehold Improvements £	Total £
<i>Cost</i>				
At beginning of year	74,944	105,365	154,548	334,857
Additions	2,950	689	-	3,639
Disposals	-	(1,660)	-	(1,660)
At end of year	77,894	104,394	154,548	336,836
<i>Depreciation</i>				
At beginning of year	32,616	32,184	26,777	91,577
Charge for year	18,533	31,537	30,910	80,980
Disposals	-	(184)	-	(184)
At end of year	51,149	63,537	57,687	172,373
<i>Net book value</i>				
At 31 December 2014	26,745	40,857	96,861	164,463
At 31 December 2013	42,328	73,181	127,771	243,280

## Notes to the Accounts *(continued)*

### 8 Debtors

	2014 £	2013 £
Trade debtors	1,605,067	1,491,352
Amounts owed by group undertakings	451,115	295,186
Other debtors	1,425	19,174
Prepayments and accrued income	216,434	163,698
	<u>2,274,041</u>	<u>1,969,410</u>

All debtor amounts fall due for repayment within one year.

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

	2014 £	2013 £
Trade creditors	134,199	132,830
Amounts owed to group undertakings	1,098,242	1,044,082
Other taxation and social security	196,620	128,107
Other creditors	748,420	583,864
Corporation tax	256,443	89,238
	<u>2,433,924</u>	<u>1,978,121</u>

### 10 Creditors: amounts falling due after one year

	2014 £	2013 £
Other taxation and social security	17,112	13,800
Other creditors	124,000	100,000
	<u>141,112</u>	<u>113,800</u>

### 11 Called up share capital

	2014 £	2013 £
<i>Authorised</i>		
Ordinary shares of £1.00 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1.00 each	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>



## Notes to the Accounts *(continued)*

### 12 Share premium and reserves

	Share premium account £	Profit and loss account £
At beginning of year	2,950,000	13,483,379
Retained profit for the year	-	1,750,206
At end of year	<u>2,950,000</u>	<u>15,233,585</u>

### 13 Pension scheme

The company made contributions to personal pension schemes totalling **£201,116** (2013: £227,144). Contributions totalling **£667** (2013: £667) were payable at the balance sheet date.

### 14 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2014 £	2013 £
	Land and buildings	Land and buildings
Operating leases which expire:		
Within one year	-	-
In one to five years	111,143	148,191

### 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.