

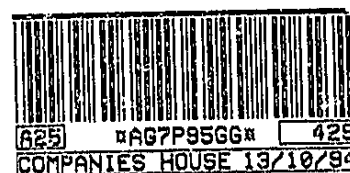
UBSS93

UBS LIMITED (formerly  
UBS Phillips & Drew Securities Limited)

DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS

31 DECEMBER 1993

REGISTERED NO. 1546399



UBS LIMITED (formerly UBS Phillips & Drew Securites Limited)

## DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 1993.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 1985. 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.

## PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company is a market maker and broker-dealer in UK and international securities. In addition it undertakes a wide range of investment activities including underwriting and corporate finance.

The company is a member of the Securities and Futures Authority (SFA), and is authorised by SFA to conduct investment business in the UK in accordance with the provisions of The Financial Services Act 1986.

The company is also a corporate member of the London Stock Exchange, and International Securities Market Association (ISMA), formerly the Association of International Bond Dealers (AIBD).

## OPERATING RESULTS

The company made a profit after taxation for the year of £87,293,000 (year to 31 December 1992 - loss of £6,005,000).

## DIVIDENDS

During the year a dividend of £1,690,000 was paid. No further dividend is proposed. (1992 - Nil).

UBS LIMITED (formerly UBS Phillips & Drew Securities Limited)

DIRECTORS REPORT (CONTINUED)

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the period were as follows:

R G Mueller (Chairman)  
P R Bennett  
R H Briance  
S J M Brisby  
J S Dalby (Resigned 22 September 1993)  
H W H Sants  
P D Thrush

D Robins (CEO) (Appointed 1 January 1994)  
M J Willey (Appointed 1 January 1994)

None of the directors had any beneficial interest in the shares of the company or of its immediate parent undertaking.

AUDITORS

A resolution to re-appoint the auditors, Price Waterhouse, in accordance with Section 385 of the Companies Act 1985, will be put to the members at the Annual General Meeting.

By Order of the Board



P E Hare  
Secretary

22 March 1994

Registered No. 1546399

## Price Waterhouse



### AUDITORS' REPORT TO THE SHAREHOLDERS OF UBS LIMITED (formerly UBS Phillips & Drew Securities Limited)

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities, and the accounting policies set out on pages 6 to 7.

#### Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information of the financial statements.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditors

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

22 March 1994

UBS LIMITED (formerly UBS Phillips & Drew Securities Limited)

PROFIT & LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 1993

		Year to 31 December 1993	Year to 31 December 1992
	Note	£'000	£'000
TURNOVER	1b,2	258,057	120,048
Administrative expenses		<u>(194,578)</u>	<u>(146,088)</u>
OPERATING PROFIT/(LOSS)		63,479	(26,040)
Interest receivable and similar income	6	349,478	176,919
Interest payable and similar charges	7	<u>(325,664)</u>	<u>(165,500)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	87,293	(14,621)
Taxation on ordinary activities	8	—	<u>8,616</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		87,293	(6,005)
Dividends Paid		<u>(1,690)</u>	—
RETAINED PROFIT/(LOSS) FOR THE YEAR		85,603	(6,005)
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>(4,798)</u>	<u>1,207</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>80,805</u>	<u>(4,798)</u>

There are no recognised gains or losses other than the profit for the financial year of £8,293,000 in the year end 31 December 1993 and the loss of £6,005,000 in the year end 31 December 1992.

The notes on pages 6 to 11 form part of these financial statements.

UBS LIMITED (formerly UBS Phillips & Drew Securities Limited)

BALANCE SHEET - 31 DECEMBER 1993

		<u>31 December 1993</u>		<u>31 December 1992</u>	
	Note	£'000	£'000	£'000	£'000
CURRENT ASSETS					
Bull positions	9	5,855,852		2,107,268	
Debtors	10	7,485,128		3,343,549	
Cash at bank and in hand		<u>340,709</u>		<u>316,515</u>	
			13,681,689		5,767,332
CREDITORS (amounts falling due within one year)					
Bear positions	11	(1,435,525)		(586,146)	
Creditors	12	<u>(11,769,359)</u>		<u>(4,789,984)</u>	
			<u>(13,204,884)</u>		<u>(5,376,130)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u><u>476,805</u></u>		<u><u>391,202</u></u>
CAPITAL AND RESERVES					
Called up share capital	13		396,000		396,000
Profit and loss account			<u>80,805</u>		<u>(4,798)</u>
			<u><u>476,805</u></u>		<u><u>391,202</u></u>

Approved by the Board on 22 March 1994

D Robins

P R Bennett

} DIRECTORS

The notes on pages 6 to 11 form part of these financial statements.

UBS LIMITED (formerly UBS Phillips & Drew Securities Limited).  
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention as modified by the inclusion of bull, bear, futures, swaps and options positions at market value as defined in Note 1(c)-(e) below. In so far as the valuation of these positions at market value represent a departure from current statutory requirements, the Directors consider it necessary for the accounts to show a true and fair view. The effects of this departure, which is consistent with the industry standard, have not been disclosed since, along with other companies in a similar business, the company does not retain records on an historical cost basis which would provide reasonable quantification.

The company which is a wholly owned undertaking, has elected to utilise the exemption provided in Financial Reporting Standard 1 and not produce a cash flow statement.

(b) Turnover

Turnover comprises profits on dealing operations, being gains less losses on market-making activities and other share option and currency dealing, arrived at after taking into account attributable dividends, financing costs of position-taking, gross commission from acting as agent in investment business, less commissions paid away, fee income from investment management and advisory services and gross underwriting commission received, less commission paid away. Turnover is stated after deduction of Value Added Tax.

(c) Bull and bear positions

The bull and bear positions represent the aggregate value of the book position on individual stocks arising from respectively a net bought or net sold position. The positions include holdings in securities and money market instruments.

The bull positions and bear positions have been valued at market price by reference to the firm's own bid and offer prices applicable, (or if unlisted, at the Directors' estimate of market value), adjusted for any provisions which the directors consider necessary, at the close of business on the accounting date. Any associated profit or loss is recognised in the results of the period.

(d) Futures and options positions

Open positions in financial futures and options contracts are valued at the closing market prices and the resultant profits and losses are reflected in the trading results together with realised profits and losses on closed out positions.

(e) Swaps and similar instruments

Swaps and similar instruments have been marked to market by applying appropriate discount rates to future cashflows, and the resultant profits and losses are reflected in the trading results together with realised profits and losses. Allowance is made for close out costs, continuing credit risk and future administration costs.

(f) Balances with clients and counterparties

In accordance with market practice, certain balances with clients, Stock Exchange member firms and recognised settlement offices are included in debtors and creditors gross for their unsettled bought and sold transactions respectively.

(g) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

UBS LIMITED (formerly UBS Phillips & Drew Securities Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993 (CONTINUED)

(h) Balances with the Union Bank of Switzerland

The company has a banking relationship with the Union Bank of Switzerland, the ultimate parent undertaking. Transactions include, inter alia, current accounts and deposits. These are conducted on an arms length basis and attract market rates of interest. In these financial statements such balances are treated as bank accounts and not as amounts owed to and by group undertakings.

(i) Deferred taxation

Deferred taxation is provided on all timing differences when it is expected that the potential tax liability will be payable in the foreseeable future.

(j) Pensions

The company is a member of a group pension scheme which is managed by UBS Services Limited (formerly UBS Phillips & Drew Services Limited). Details of the actuarial valuations and funding policy are disclosed in the accounts of that company.

2 **TURNOVER**

	Year to 31 December 1993	Year to 31 December 1992
	£'000's	£'000's
Profit on dealing operations	106,328	36,172
Agency dealing commissions	97,307	45,686
Corporate finance and underwriting fees	56,798	38,968
Commissions payable	(1,599)	(5)
Other expense	(777)	(773)
	<u>258,057</u>	<u>120,048</u>

3 **PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	Year to 31 December 1993	Year to 31 December 1992
	£'000's	£'000's
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Staff costs:		
Wages and salaries	76,114	48,424
Social security costs	4,542	4,061
Other pension costs	3,030	2,943
Other staff costs	<u>3,591</u>	<u>3,017</u>
	<u>87,277</u>	<u>58,445</u>

Most employees of the UBS Group of companies are employed by UBS Services Limited and the average number of employees is disclosed in the financial statements of that company. The salary costs of those employees who work substantially for one group company are shown in the financial statements of that company. Where employees have duties in respect of a number of different companies, such amounts are included in net inter-company service charges.

Auditors' remuneration is borne by UBS Services Limited, a group undertaking, and is disclosed in the statutory accounts of that company.



UBS LIMITED (formerly UBS Phillips & Drew Securities Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993 (CONTINUED)

Net inter-company service charge

Certain costs incurred by the company, including an element of those shown above, have been charged to fellow subsidiaries in the group on the basis of the directors' best estimate of the amounts attributable to each company. Similarly, the company has been charged by other undertakings in the group for costs incurred by them attributable to the company.

Profit/(loss) on ordinary activities before taxation is stated after charging the total net service charge applicable to the company of £80,646,000 (31 December 1992 - £62,229,000).

4 TRANSACTIONS WITH DIRECTORS AND CONNECTED PERSONS

Directors are entitled to deal in securities through the UBS trading companies in accordance with UBS personal account dealing rules. These provide, inter alia, that the directors may not deal in the securities of a company to which UBS are appointed broker or financial adviser, nor any limited company where the director is a board director, and forbid dealings of a speculative nature.

5 DIRECTORS' REMUNERATION

The Directors' remuneration costs were borne by UBS Services Limited and recharged by way of a management fee. The emoluments of these directors are disclosed in the directors' remuneration note of UBS Services Limited.

6 INTEREST RECEIVABLE

	Year to 31 December 1993	Year to 31 December 1992
	£'000	£'000
Group undertakings	157,742	34,976
Other	<u>191,736</u>	<u>141,943</u>
	<u>349,478</u>	<u>176,919</u>

7 INTEREST PAYABLE

	Year to 31 December 1993	Year to 31 December 1992
	£'000	£'000
On borrowings repayable in less than five years:		
Group undertakings	76,588	21,334
Other	<u>249,076</u>	<u>144,166</u>
	<u>325,664</u>	<u>165,500</u>

UBS LIMITED (formerly UBS Phillips & Drew Securities Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993 (CONTINUED)

8 TAXATION ON ORDINARY ACTIVITIES

In 1993, the Company incurred a profit during the year for taxation purposes. There is no charge for taxation on profits for the year owing to the existence of losses brought forward. No provision for deferred taxation is required. In 1992, group relief was received from other group companies for losses surrendered.

9 BULL POSITIONS

	<u>31 December 1993</u>	<u>31 December 1992</u>
	£'000	£'000
Listed on a recognised stock exchange	<u>5,855,852</u>	<u>2,107,268</u>

10 DEBTORS

	<u>31 December 1993</u>	<u>31 December 1992</u>
	£'000	£'000
Money paid against stock borrowed	3,476,249	1,095,797
Market and client debtors	3,048,635	1,550,865
Amounts owed by group undertakings	816,787	649,114
Other debtors	<u>143,457</u>	<u>47,773</u>
	<u>7,485,128</u>	<u>3,343,549</u>

11 BEAR POSITIONS

	<u>31 December 1993</u>	<u>31 December 1992</u>
	£'000	£'000
Listed on a recognised stock exchange	<u>1,435,525</u>	<u>586,146</u>

UBS LIMITED (formerly UBS Phillips & Drew Securities Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993 (CONTINUED)

12 CREDITORS (amounts falling due within one year)

	<u>31 December 1993</u>	<u>31 December 1992</u>
	£'000	£'000
Money received against stock deposited	2,865,393	1,519,822
Bank loans and overdrafts	3,761,772	1,242,183
Market and client creditors	3,289,826	1,525,139
Amounts owed to group undertakings	1,608,860	409,499
Subordinated loan from group undertaking	168,976	66,059
Other creditors including taxation and social security	44,780	9,821
Accruals and deferred income	<u>29,752</u>	<u>17,461</u>
	<u>11,769,359</u>	<u>4,789,984</u>

Secured loans from Moneybrokers are repayable at call or short notice, and are secured on securities owned by the company.

13 CALLED UP SHARE CAPITAL

Movements during the year in authorised, allotted and fully paid ordinary shares of £1 each were as follows:

	<u>31 December 1993</u>	<u>31 December 1992</u>
	£'000	£'000
Balance at 1 January	396,000	96,000
Increase in share capital - 20 October 1992	<u>-</u>	<u>300,000</u>
Balance at 31 December	<u>396,000</u>	<u>396,000</u>

In order to strengthen the company's reserves the authorised share capital of the company was increased from £96,000,000 to £396,000,000 by the creation of 300,000,000 ordinary shares of £1.00 each by a resolution passed on 20 October 1992. On the same date the same number of shares were issued for cash consideration of £300,000,000.

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>31 December 1993</u>	<u>31 December 1992</u>
	£'000	£'000
Profit/(Loss) for the year	87,293	(6,005)
Dividends Paid	<u>(1,690)</u>	<u>-</u>
	85,603	(6,005)
New share capital subscribed	<u>-</u>	<u>300,000</u>
New addition to shareholders' funds	85,603	293,995
Opening shareholders' funds	<u>391,202</u>	<u>97,207</u>
Closing Shareholders' funds	<u>476,805</u>	<u>391,202</u>

UBS LIMITED (formerly UBS Phillips & Drew Securities Limited)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1993 (CONTINUED)

16 CONTINGENT LIABILITIES

The company has contingent liabilities which cannot be quantified in respect of letters of indemnity for lost stock deeds given in the ordinary course of business.

In addition, there are options contracts, financial futures and forward foreign exchange contracts entered into in the normal course of business which are not reflected in the balance sheet. It is not envisaged that any material irrecoverable liability will arise from these transactions.

17 PARENT UNDERTAKING

The ultimate parent undertaking is Union Bank of Switzerland, a company incorporated in Switzerland.

The most immediate parent company preparing consolidated accounts which include the company's accounts is UBS UK Holding Limited (formerly UBS (UK) Ltd), a company registered in England and Wales and the ultimate parent preparing such accounts is Union Bank of Switzerland.

Copies of the group accounts can be obtained from:

Union Bank of Switzerland  
100 Liverpool Street  
London EC2M 2RH