

# **UBS UK HOLDING LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

For the year ended

**31 DECEMBER 2005**



Company Registration Number: 1931397

# **UBS UK HOLDING LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

<b>CONTENTS</b>	<b>PAGES</b>
Directors and Officers	2
Directors' Report	3 to 5
Auditors' Report to the Shareholders	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9 to 13

# **UBS UK HOLDING LIMITED**

## **DIRECTORS AND OFFICERS**

### **BOARD OF DIRECTORS**

Sean E Ryan (Chairman)

Richard C Blundell

Richard A Casselle

Richard WJ Hardie

Sally A James

Urs R Pluess

Gregory P Simpson

Andrew D Williams

### **SECRETARY**

John S Mitchell-Hewson, FCIS

### **REGISTERED OFFICE**

1 Finsbury Avenue  
LONDON EC2M 2PP

### **AUDITORS**

Ernst & Young LLP  
Registered Auditor  
1 More London Place  
LONDON SE1 2AF

# UBS UK HOLDING LIMITED

## REPORT OF THE DIRECTORS

The Directors present their Report together with the audited financial statements ('Accounts') of the Company for the year ended 31 December 2005 ('the year') which have been prepared in accordance with the provisions of the Companies Act 1985.

### Principal Activities and Business Review

The Company carries out investment holding activities.

### Future Developments

The Directors have no plans or intentions, at this time, either to enhance or further develop the activities of the Company or its subsidiaries.

### Results and Dividends

The profit before taxation for the Company for the year amounted to £47,724,000 (2004: loss £83,877,000). After taxation the Company made a profit of £60,049,000 (2004: loss £68,930,000) which when added to retained losses brought forward resulted in accumulated retained losses carried forward of £1,057,418,000 (2004: £1,117,467,000).

At the year end the Company had negative net assets of £65,398,000 (2004: £125,447,000). The Company has received, and accepted, a Parental Letter of Comfort from its ultimate parent, UBS AG, to the effect that UBS AG intends to provide the Company with sufficient financial resources to enable it meet its liabilities as and when they fall due and therefore to remain a going concern.

The state of affairs of the Company as at the year-end are otherwise as detailed in the accompanying Accounts.

The Directors have not paid, and do not propose to pay, any interim dividends nor do they intend to recommend the declaration of a final dividend for the year (2004: nil).

### Financial Investments

During the year, on 21 and 28 December, the Company increased its investment in UBS Limited subordinated loan notes by an aggregate of £170,000,000.

### Investments in Subsidiaries

During the year, the Company acquired beneficial ownership and legal title to the entire issued share capital of each of the following companies for a consideration representative of fair value or fair market value, as the case may be:

Company Name	Company Number	Amount of Consideration (£)
S.G. Warburg & Company plc	1121735	859,922,782
UBS Reorganisation 2005-08 (in Members' Voluntary Liquidation)	04051791	}
UBS Reorganisation 2005-09 (in Members' Voluntary Liquidation)	04051809	
UBS Reorganisation 2005-04 Ltd (formerly Rowe & Pitman Limited)	1900523	1,500,013

# UBS UK HOLDING LIMITED

## REPORT OF THE DIRECTORS

UBS Reorganisation 2005-05 Ltd (formerly UBS Futures & Options Limited)	1543369	2,000,000
UBS Reorganisation 2005-07 Ltd (formerly Akroyd & Smithers Limited)	2266506	100
UBS Xanadu Holding Limited	1546797	2,062,000

The Company also acquired beneficial ownership and legal title to one share in each of the following companies:

UBS Securities Israel Limited	51-251508-1	Israeli Shekel 1
UBS Israel Financial Instruments Limited	52-004333-2	Israeli Shekel 1

### Events since the Balance Sheet date

On 13 March 2006, the Company acquired beneficial ownership and legal title to 119,355 ordinary shares in the capital of S.G. Warburg & Co International B.V. for an aggregate consideration of £163,084,666. The subsidiary paid a dividend of £122,575,023 on 31 May 2006 and was then written down to its net asset value of £40,464,252. The subsidiary was subsequently dissolved on 19 September 2006.

On 5 June 2006, the Company sold its investment in EBS Group Limited and realised a profit of £24,461,000.

On 24 August 2006, the Company purchased 86,537,460 Ordinary shares of S\$1.00 in UBS Securities Pte Limited for an aggregate consideration of S\$ 134,998,438, from another subsidiary within the UBS AG Group.

On 27 September 2006, the Company purchased 41 loan notes with a denomination of KRW 2,000 million in UBS Securities Pte Limited for an aggregate consideration of KRW 71,160,861,713.

### Directors

The names of the current Directors are shown on page 2.

During the year, there were four appointments to, and four departures from, the Board. Mr Richard C Blundell and Mr Claude F Moser were both appointed as Directors on 26 January 2005. Mr Richard WJ Hardie was appointed as a Director on 27 April 2005 and Mr Urs Pluess was appointed as a Director on 26 October 2005. Mr Nicholas JB Andersen resigned as a Director on 26 January 2005, Mr Marc GP Roberts resigned as a Director on 6 July 2005, Mr Claude F Moser resigned as a Director on 26 October 2005 and Mr Philip I Price resigned as a Director on 31 December 2005.

Since the year end, Mr Andrew D Williams was appointed as a Director on 26 April 2006. There have been no other changes to the Board of Directors subsequent to year end.

No service contracts have subsisted between the Company or its subsidiaries and any of its Directors during the year and no such contracts have come into being since the year end.

### Directors' Interests

None of the Directors, nor any member of their respective families, had any interests in the share or loan capital of the ultimate holding company (UBS AG), or any of its subsidiary undertakings, at the relevant dates that required disclosure under Section 324 of the Companies Act 1985.

# **UBS UK HOLDING LIMITED**

## **REPORT OF THE DIRECTORS**

### **Directors' Responsibilities**

Company law requires the Directors to prepare financial statements for each accounting reference period 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 (the 'financial statements').

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; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors are also responsible 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.

### **Employees**

UBS AG and certain subsidiary undertakings have made, and continue to make, available a number of their respective employees to be engaged either on a full-time or part-time basis in the performance of certain functions or operations in connection with the Company's and Group's businesses.

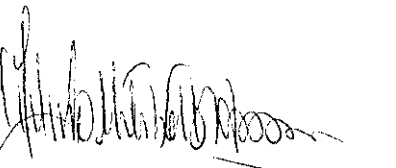
### **Charitable Donations and Political Contributions**

There were no charitable donations nor any contributions for political purposes made by the Company, or any subsidiary undertaking of the Company, during the year (2004: nil).

### **Auditors**

Ernst & Young LLP, Registered Auditor, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting in accordance with the provisions of Section 385 of the Companies Act 1985.

Approved by the Board of Directors on 31 October 2006 and signed on their behalf by:



**John S Mitchell-Hewson**  
Secretary

1 Finsbury Avenue, London EC2M 2PP.

# **UBS UK HOLDING LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS YEAR ENDED 31 DECEMBER 2005**

We have audited the Company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies' Act 1985. 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 THE DIRECTORS AND THE AUDITORS**

The Directors' responsibilities for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

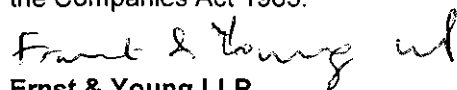
### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 in the financial statements.

### **OPINION**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young LLP**  
Registered Auditor  
London  
31 October 2006

# UBS UK HOLDING LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £000	2004 £000
Income from fixed asset investments		119,738	-
Operating expenses		<u>(1,161)</u>	<u>(244)</u>
<b>Operating profit / (loss)</b>	4	<b>118,577</b>	<b>(244)</b>
Interest receivable and similar income	5	11,086	10,597
Interest payable and similar charges	6	<u>(81,939)</u>	<u>(94,230)</u>
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>47,724</b>	<b>(83,877)</b>
Taxation	7	<u>12,325</u>	<u>14,947</u>
<b>Profit / (loss) on ordinary activities after taxation</b>		<b>60,049</b>	<b>(68,930)</b>
<b>Retained profit / (loss) transferred to reserves</b>	12	<b><u>60,049</u></b>	<b><u>(68,930)</u></b>

All of the activities of the Company are classified as continuing.

The notes on pages 9 to 13 form an integral part of these financial statements

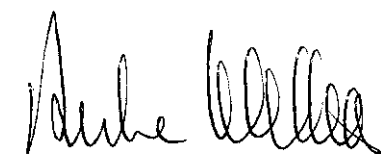


# UBS UK HOLDING LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £000	2004 £000
<b>Fixed assets</b>			
Investments	8	<u>1,730,932</u>	<u>695,373</u>
<b>Current assets</b>			
Debtors	9	1,714,895	3,405,992
Cash at bank and in hand		<u>3,131</u>	<u>1,220</u>
		<u>1,718,026</u>	<u>3,407,212</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(3,514,356)</u>	<u>(4,228,032)</u>
<b>Net current liabilities</b>		<u>(1,796,330)</u>	<u>(820,820)</u>
<b>Total assets less current liabilities</b>		<u>(65,398)</u>	<u>(125,447)</u>
<b>Capital and reserves</b>			
Called up share capital	12	5,000	5,000
Profit and loss account	12	(1,057,418)	(1,117,467)
Other reserves	12	<u>987,020</u>	<u>987,020</u>
<b>Equity shareholders' funds</b>		<u>(65,398)</u>	<u>(125,447)</u>

These financial statements were approved by the Board of Directors on 31 October 2006 and are signed on their behalf by:



**Andrew D Williams**  
Director

The notes on pages 9 to 13 form an integral part of these financial statements

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 1 BASIS OF PREPARATION

#### **Basis of accounting**

The Company's financial statements for the year ended 31 December 2005 were authorised by the Board of Directors on 31 October 2006 and the balance sheet was signed on the Board's behalf by Andrew D Williams.

As a wholly-owned subsidiary of UBS AG, the Company has taken advantage of the exemption from preparing consolidated accounts in S.228A of the Companies Act 1985.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **Change in accounting policies and comparability**

On 1 January 2005, the Company adopted FRS 21 *Events after the balance sheet date* and FRS 28 *Corresponding Amounts* on a retrospective basis.

The adoption of these accounting policies has not impacted the presentation of the financial statements.

#### **Investment income**

Investment income comprises dividends accounted for on a receivable basis.

#### **Cash flow statement**

The Company, a wholly owned subsidiary undertaking, has elected to utilise the exemption available in Financial Reporting Standard ('FRS') No 1 (Revised 1996) 'Cash Flow Statements', and not produce a cash flow statement.

### 2 PRINCIPAL ACCOUNTING POLICIES

#### **Fixed asset investments**

Fixed asset investments are stated at cost less a provision if, in the opinion of the Directors, there has been a permanent diminution in value. Profits or losses arising from disposals of investments are treated as part of the result from ordinary activities.

### 3 DIRECTORS' EMOLUMENTS

For the year to 31 December 2005, the aggregate emoluments of the Directors of the Company, computed in accordance with Part I of Schedule 6 of the Companies Act 1985, amounted to £nil (2004: £nil).

### 4 AUDITORS' REMUNERATION

Auditors' remuneration costs were borne by the ultimate parent undertaking.

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 5 INTEREST RECEIVABLE

	2005 £000	2004 £000
Interest from parent undertaking	176	157
Interest receivable from fellow subsidiary	10,910	10,399
Other interest receivable	-	41
	<u>11,086</u>	<u>10,597</u>

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £000	2004 £000
Interest payable to parent undertaking	5,131	22,998
Other interest payable to fellow subsidiary	76,808	71,232
	<u>81,939</u>	<u>94,230</u>

### 7 TAXATION

	2005 £000	2004 £000
<i>UK corporation tax</i>		
Current tax credit on profit / loss for the period	10,748	14,947
Adjustment in respect of previous periods	1,577	-
	<u>12,325</u>	<u>14,947</u>

#### *Factors affecting tax charge/credit for period*

The current tax credit for the period assessed for the period differs from the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £000	2004 £000
<i>Current tax reconciliation</i>		
Profit / (loss) on ordinary activities before tax	<u>47,724</u>	<u>(83,877)</u>
Current tax charge / (credit) at 30% (2004: 30%)	14,317	(25,163)
Effects of:		
Group relief surrendered at more than 30%	(4,813)	(5,411)
Non taxable dividend income	(35,921)	-
Items not recognised for tax purposes	-	(23)
Notional transfer pricing adjustment (payable)	<u>15,669</u>	<u>15,650</u>
Total current tax credit	<u>(10,748)</u>	<u>(14,947)</u>

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 8 INVESTMENTS

<b>Fixed asset investments</b>	<i>Shares in subsidiary undertakings</i> <b>£000</b>	<i>Other investments</i> <b>£000</b>	<i>Total</i> <b>£000</b>
Net book value 1 January 2005	510,395	184,978	695,373
Additions	865,489	170,000	1,035,489
Exchange movements	70	-	70
<b>At 31 December 2005</b>	<b>1,375,954</b>	<b>354,978</b>	<b>1,730,932</b>

#### *Subsidiary undertakings of the Company*

The principal subsidiary undertakings of the Company at 31 December 2005 were:

	<i>Percentage holding</i>
UBS Assets (UK) Limited	100
UBS Reorganisation 2005-11 Ltd (in Members' Voluntary Liquidation)	100
UBS UK Properties Limited	100
S.G. Warburg & Company plc	100
S.G. Warburg & Co International BV	100
S.G. Warburg Holdings Ltd.	100
S.G. Warburg Overseas Ltd.	100
UBS Overseas (U.K.) Limited	100
UBS Securities International Limited	100
UBS UK Limited	100
S.G. Warburg Group plc (and subsidiaries)	99.9

All principal subsidiaries are incorporated in England, except for S.G. Warburg & Co International BV, which is incorporated in the Netherlands.

In accordance with Section 231(5) of the Companies Act 1985, the information disclosed above is provided solely in relation to principal subsidiary undertakings. Full information on all subsidiaries is included in the Annual Return.

### 9 DEBTORS

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Amounts due from parent	60	-
Amounts due from fellow subsidiaries	183	7
Amounts due from subsidiaries	1,703,527	3,379,259
Corporation tax recoverable	10,925	26,335
Other debtors	200	391
	<b>1,714,895</b>	<b>3,405,992</b>

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£000	£000
Amounts owed to parent	256,811	111,957
Amounts owed to fellow subsidiaries	2,357	2,360
Amounts owed to subsidiaries	3,255,127	4,113,654
Other creditors	61	61
	<u>3,514,356</u>	<u>4,228,032</u>

### 11 CALLED UP SHARE CAPITAL

	2005	2004
	£000	£000
<b>Authorised</b>		
<i>Equity share capital</i>		
5,000,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
 <b>Allotted, called up and fully paid</b>		
<i>Equity share capital</i>		
5,000,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

### 12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £000	Profit and loss account £000	Other reserves £000	Total £000
At 1 January 2004	5,000	(1,048,537)	987,020	(56,517)
Retained loss for the year	-	(68,930)	-	(68,930)
At 1 January 2005	5,000	(1,117,467)	987,020	(125,447)
Retained profit for the year	-	60,049	-	60,049
At 31 December 2005	<u>5,000</u>	<u>(1,057,418)</u>	<u>987,020</u>	<u>(65,398)</u>

# **UBS UK HOLDING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

### **13 ULTIMATE PARENT UNDERTAKING**

UBS AG, a company incorporated in Switzerland, is the immediate and ultimate parent undertaking and is the parent undertaking of the largest and smallest group for which group financial statements are prepared.

Copies of the group financial statements can be obtained from UBS AG, 1 Finsbury Avenue, London, EC2M 2PP.

### **14 POST BALANCE SHEET EVENTS**

On 13 March 2006, the Company acquired beneficial ownership and legal title to 119,355 ordinary shares in the capital of S.G. Warburg & Co International B.V. for an aggregate consideration of £163,084,666. The subsidiary paid a dividend of £122,575,023 on 31 May 2006 and was then written down to its net asset value of £40,464,252. The subsidiary was subsequently dissolved on 19 September 2006.

On 5 June 2006, the Company sold its investment in EBS Group Limited and realised a profit of £24,461,000.

On 24 August 2006, the Company purchased 86,537,460 Ordinary shares of S\$1.00 in UBS Securities Pte Limited for an aggregate consideration of S\$ 134,998,438, from another subsidiary within the UBS AG Group.

On 27 September 2006, the Company purchased 41 loan notes with a denomination of KRW 2,000 million in UBS Securities Pte Limited for an aggregate consideration of KRW 71,160,861,713.