

# **UBS UK HOLDING LIMITED**

## **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended

**31 DECEMBER 2003**

Company Registration Number: 1931397



# **UBS UK HOLDING LIMITED**

## **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**

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# **UBS UK HOLDING LIMITED**

## **DIRECTORS AND OFFICERS**

### **BOARD OF DIRECTORS**

Sean E Ryan (Chairman)

Nicholas J B Anderson

Richard A Casselle

Sally A James

Philip I Price

Marc G P Roberts

Gregory P Simpson

### **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 consolidated financial statements ('Accounts') of the Company, and its Group, for the year ended 31 December 2003 ('the year') which have been prepared in accordance with the provisions of the Companies Act 1985.

### **Principal Activities and Business Review**

The Group, comprising the Company and its subsidiaries, predominately carries on investment and property holding activities.

### **Future Developments**

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

### **Results and Dividends**

The consolidated loss, before taxation, minority interests and dividends, for the Group for the year amounted to £71,999,000 (2002: loss £11,713,000). After taxation, minority interests and Group dividends, the Group incurred a loss of £68,786,000 (2002: profit £7,767,000) which when added to retained profits brought forward resulted in accumulated retained losses carried forward of £843,627,000 (2002: losses £774,841,000).

At the year end the Company had negative net assets of £56,517,000. The Company has received, and accepted, a Parental Letter of Support from its ultimate parent, UBS AG, to the effect that UBS AG will continue to support the Company with sufficient financial resources to enable it to remain a going-concern and settle all liabilities as and when they may fall due.

The state of affairs of the Company, and its Group, as at the year end were otherwise as detailed in the accompanying Accounts.

S.G. Warburg Group plc, a majority-owned subsidiary of the Company, paid cumulative preference dividends of £728,000 during the year (2002: £728,000) to parties outside the Group.

The Directors do not recommend the declaration or payment of any dividends by the Company in respect of the year (2002: £nil).

### **Investments in Subsidiaries**

Since the year, on 29 September 2004, the Company increased its investment in UBS Assets (UK) Limited by £25,000,000 represented by an additional 25,000,000 Ordinary shares of £1.00 each issued and fully paid for cash at par.

On 30 September 2004, UBS Assets (UK) Limited acquired an additional 59 B shares of £10 each in UBS Global Asset Management Holding (No.2) Ltd for an aggregate cash consideration of £25,000,000. Subsequently, UBS AG has expressed its willingness to purchase the Company's entire holding of B shares in UBS Global Asset Management Holding (No.2) Ltd for an aggregate cash consideration of £450,000,000 which is being considered by the Directors. Given the indicative price, an impairment of £75,000,000 has been made to the carrying value at 31 December 2003 of the consolidated group's investment in UBS Global Asset Management Holding (No.2) Ltd and also the Company's investment in UBS Assets (UK) Limited.

### **Suppliers**

# **UBS UK HOLDING LIMITED**

## **REPORT OF THE DIRECTORS**

The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction.

### **Directors**

The names of the current Directors are shown on page 2. During the year there was one departure from, and four appointments to, the Board.

Mr Nicholas J Livingstone resigned as a Director of the Company on 17 November 2003. Mr Richard A Casselle was appointed a Director of the Company on 11 March 2003, Mr Nigel J Thomas was appointed a Director of the Company on 23 July 2003, and Mr Gregory P Simpson and Mr Marc G P Roberts were respectively appointed as Directors of the Company on 17 November and 4 December 2003.

Since the year there has been one departure from the Board. Mr Nigel J Thomas resigned as a Director of the Company on 8 September 2004.

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.

### **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.

### **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
- 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**

In addition, 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

# **UBS UK HOLDING LIMITED**

## **REPORT OF THE DIRECTORS**

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 (2002: 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 29 October 2004 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 MEMBERS OF UBS UK HOLDING LIMITED**

We have audited the Group's financial statements for the year ended 31 December 2003 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet and the related notes 1 to 27. 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 Directors and Auditors**

As described in the Statement of Directors' Responsibilities on page 5, the Company's Directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Group 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.

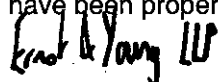
### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 Group'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 of the state of affairs of the Company and of the Group as at 31 December 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young LLP**

Registered Auditor

London

29 October 2004

# UBS UK HOLDING LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

|                                                       | Notes | 2003<br>£000    | 2002<br>£000    |
|-------------------------------------------------------|-------|-----------------|-----------------|
| Turnover                                              |       | 76,909          | 83,584          |
| Operating expenses                                    |       | (80,530)        | (84,349)        |
| Other operating income                                |       | 17,012          | 3,731           |
| <b>Operating profit</b>                               | 4     | <b>13,391</b>   | <b>2,966</b>    |
| Interest receivable and similar income                | 8     | 17,397          | 79,938          |
| Interest payable and similar charges                  | 9     | (27,665)        | (94,749)        |
| (Loss)/Profit on disposal of investments              |       | (122)           | 132             |
| Write down of fixed asset investments                 |       | (75,000)        | -               |
| <b>Loss on ordinary activities before taxation</b>    |       | <b>(71,999)</b> | <b>(11,713)</b> |
| Taxation                                              | 10    | 3,941           | 20,208          |
| <b>Profit on ordinary activities after taxation</b>   |       | <b>(68,058)</b> | <b>8,495</b>    |
| <b>Non-equity minority interests</b>                  |       |                 |                 |
| Preference dividends on non-equity shares             | 11    | (728)           | (728)           |
| <b>Retained (loss)/profit transferred to reserves</b> | 23    | <b>(68,786)</b> | <b>7,767</b>    |

All of the Group's activities in 2003 and 2002 represent continuing operations.

The notes on pages 11 to 22 form an integral part of these financial statements.



# UBS UK HOLDING LIMITED

## STATEMENT OF TOTAL CONSOLIDATED RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

|                                                                                       | 2003<br>£000           | 2002<br>£000        |
|---------------------------------------------------------------------------------------|------------------------|---------------------|
| Profit for the year                                                                   | (68,786)               | 7,767               |
| Foreign exchange differences on the translation of<br>net investments in subsidiaries | 130                    | 79                  |
| <b>Total recognised gains for the year</b>                                            | <b><u>(68,656)</u></b> | <b><u>7,846</u></b> |

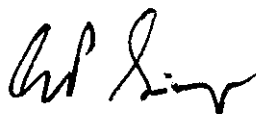
The notes on pages 11 to 22 form an integral part of these financial statements.

# UBS UK HOLDING LIMITED

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

|                                                                | Notes | 2003<br>£000     | 2002<br>£000     |
|----------------------------------------------------------------|-------|------------------|------------------|
| <b>Fixed assets</b>                                            |       |                  |                  |
| Tangible assets                                                | 13    | 61,123           | 46,466           |
| Investments                                                    | 14    | 615,269          | 519,538          |
|                                                                |       | <u>676,392</u>   | <u>566,004</u>   |
| <b>Current assets</b>                                          |       |                  |                  |
| Debtors                                                        | 15    | 235,207          | 2,045,444        |
| Securities owned                                               | 16    | 325,548          | 265,620          |
| Investments                                                    | 17    | -                | 1,018            |
| Cash at bank and in hand                                       |       | 59,185           | 47,506           |
|                                                                |       | <u>619,940</u>   | <u>2,359,588</u> |
| <b>Creditors: amounts falling due within one year</b>          | 18    | (1,111,477)      | (2,673,043)      |
| <b>Net current liabilities</b>                                 |       | <u>(491,537)</u> | <u>(313,455)</u> |
| <b>Total assets less current liabilities</b>                   |       | 184,855          | 252,549          |
| <b>Creditors: amounts falling due after more than one year</b> | 19    | (14,437)         | (14,437)         |
| <b>Provisions for liabilities and charges</b>                  | 21    | (12,410)         | (11,448)         |
|                                                                |       | <u>158,008</u>   | <u>226,664</u>   |
| <b>Capital and reserves</b>                                    |       |                  |                  |
| Called up share capital                                        | 22    | 5,000            | 5,000            |
| Profit and loss account                                        | 23    | (843,627)        | (774,841)        |
| Other reserves                                                 | 23    | 987,086          | 986,956          |
| <b>Equity shareholders' funds</b>                              |       | 148,459          | 217,115          |
| <b>Minority interests</b>                                      |       | 9,549            | 9,549            |
| <b>Total shareholders' funds</b>                               |       | <u>158,008</u>   | <u>226,664</u>   |

Approved by the Board of Directors on 29 October 2004 and signed on their behalf by:



**G P Simpson**  
Director.

The notes on pages 11 to 22 form an integral part of these financial statements.

# UBS UK HOLDING LIMITED

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2003

|                                                       | Notes | 2003<br>£000       | 2002<br>£000       |
|-------------------------------------------------------|-------|--------------------|--------------------|
| <b>Fixed assets</b>                                   |       |                    |                    |
| Investments                                           | 14    | <u>670,456</u>     | <u>545,996</u>     |
| <b>Current assets</b>                                 |       |                    |                    |
| Debtors                                               | 15    | <u>3,470,993</u>   | <u>3,671,647</u>   |
| Cash at bank and in hand                              |       | <u>1,223</u>       | <u>2,626</u>       |
|                                                       |       | <u>3,472,216</u>   | <u>3,674,273</u>   |
| <b>Creditors: amounts falling due within one year</b> | 18    | <u>(4,199,189)</u> | <u>(4,200,752)</u> |
| <b>Net current liabilities</b>                        |       | <u>(726,973)</u>   | <u>(526,479)</u>   |
| <b>Total assets less current liabilities</b>          |       | <u>(56,517)</u>    | <u>19,517</u>      |
| <b>Capital and reserves</b>                           |       |                    |                    |
| Called up share capital                               | 22    | <u>5,000</u>       | <u>5,000</u>       |
| Profit and loss account                               | 23    | <u>(1,048,537)</u> | <u>(972,503)</u>   |
| Other reserves                                        | 23    | <u>987,020</u>     | <u>987,020</u>     |
| <b>Equity shareholders' funds</b>                     |       | <u>(56,517)</u>    | <u>19,517</u>      |

Approved by the Board of Directors on 29 October 2004 and signed on their behalf by:



**G P Simpson**  
Director.

The notes on pages 11 to 22 form an integral part of these financial statements.

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 1 BASIS OF PREPARATION

The Group accounts consolidate the accounts of UBS UK Holding Limited and its subsidiary undertakings, all of which prepare accounts to 31 December. The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain investments, and in accordance with applicable accounting standards. The financial statements are prepared on a going concern basis as the Company has received, and accepted, a Parental Letter of Support from its ultimate parent, UBS AG, to the effect that UBS AG will continue to support the Company with sufficient financial resources to enable it to remain a going-concern and settle all liabilities as and when they may fall due.

As permitted by Section 230 of the Companies Act 1985, no profit and loss account has been presented for the Company.

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.

In addition, the Company has taken advantage of the exemption given to subsidiaries in FRS No 8, 'Related Party Disclosures', from disclosing related party transactions with other group companies.

### 2 PRINCIPAL ACCOUNTING POLICIES

#### **Turnover**

Turnover predominantly relates to property related income, and is after deduction of value added tax.

#### **Foreign currencies**

##### *Group*

The accounts of overseas subsidiary undertakings are translated at the rates of exchange ruling at the year-end. Exchange differences arising from the retranslation of opening foreign currency net assets are accounted for in reserves.

Exchange differences arising on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

Other exchange differences are recognised in the profit and loss account.

##### *Company*

Transactions in foreign currencies are recorded at the rates ruling at the date of the transaction or at the contracted rate if a transaction is covered by a forward exchange contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the year-end or, if appropriate, at the forward contract rate. All exchange differences are recognised in the profit and loss account, with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

# **UBS UK HOLDING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003**

### **Repurchase and reverse repurchase agreements**

Securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as collateralised financing transactions and are stated at the amounts at which the securities will subsequently be resold or repurchased.

### **Securities owned**

Securities are investments stated at market value. Unrealised gains and losses are taken to the profit and loss account and included in 'Other operating income'. This treatment is not in accordance with Schedule 4 to the Companies Act 1985, which requires that such assets be stated at the lower of cost and realisable value. The directors consider that these requirements would fail to give a true and fair view of the result for the year of the company since the marketability of the investments enables decisions to be taken continually about whether to hold or sell and hence the economic measure of profit in any period is properly made by reference to market values.

### **Current asset investments**

Current asset investments are included in the balance sheet at the lower of cost and net realisable value. Any profit or loss on realisation of these investments is recognised in the profit and loss account as it arises.

### **Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation calculated on the straight-line basis to write off the assets over their estimated useful lives as follows:

- |                             |                      |
|-----------------------------|----------------------|
| • Office equipment          | 33% per annum        |
| • Communications equipment  | 33% per annum        |
| • Other operating equipment | 20% or 33% per annum |
| • Computer software         | 33% per annum        |
| • EDP equipment             | 20% or 33% per annum |
| • Motor vehicles            | 20% or 25% per annum |
| • Leasehold improvements    | 4% to 33% per annum  |

### **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.

### **Operating leases**

Rental costs payable under operating leases are accounted for on a straight-line basis over the periods of the leases and included in 'Operating expenses'.

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### Deferred taxation

Deferred taxation is recognised in respect of all timing differences, at the rates of taxation anticipated to apply when these differences crystallise, arising from the inclusion of items of income and expenditure in taxation computations in periods different from those for which they are included in the financial statements.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 3 SEGMENTAL INFORMATION

The analysis of Group turnover and profit/(loss) on ordinary activities before taxation is as follows:

|                           | Turnover      |               | Profit/(loss)<br>before taxation |                 |
|---------------------------|---------------|---------------|----------------------------------|-----------------|
|                           | 2003<br>£000  | 2002<br>£000  | 2003<br>£000                     | 2002<br>£000    |
| Total UK based activities | 73,839        | 81,073        | (72,432)                         | (11,817)        |
| Overseas based activities | 3,070         | 2,511         | 433                              | 104             |
| <b>Total</b>              | <b>76,909</b> | <b>83,584</b> | <b>(71,999)</b>                  | <b>(11,713)</b> |

All activities are investment related.

Turnover by geographical destination is not materially different to the analysis by geographical origin provided above.

An analysis of net assets and total assets has not been disclosed as such disclosures would not provide meaningful information. The net assets and total assets of the Group are principally based in the United Kingdom.

### 4 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

|                                           | 2003<br>£000    | 2002<br>£000    |
|-------------------------------------------|-----------------|-----------------|
| Depreciation on owned assets              | 9,715           | 19,249          |
| Rentals under operating leases – premises | 59,680          | 55,654          |
| Rental income                             | <u>(77,571)</u> | <u>(81,074)</u> |

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 5 DIRECTORS' EMOLUMENTS

For the year to 31 December 2003, the aggregate emoluments of the Directors of the Company, computed in accordance with Part 1 of Schedule 6 of the Companies Act 1985, amounted to £nil (2002: £nil).

### 6 EMPLOYEES REMUNERATION

Staff costs were as follows:

|                       | 2003<br>£000     | 2002<br>£000     |
|-----------------------|------------------|------------------|
| Wages and salaries    | 2,294,281        | 2,581,995        |
| Social security costs | 336,170          | 266,432          |
|                       | <u>2,630,451</u> | <u>2,848,427</u> |

The average monthly number of employees during the year was 22 (2002: 21).

### 7 AUDITORS' REMUNERATION

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

### 8 INTEREST RECEIVABLE

|                                  | 2003<br>£000  | 2002<br>£000  |
|----------------------------------|---------------|---------------|
| Interest from parent undertaking | 15,357        | 75,834        |
| Other interest receivable        | 2,040         | 4,104         |
|                                  | <u>17,397</u> | <u>79,938</u> |

### 9 INTEREST PAYABLE AND SIMILAR CHARGES

|                                              | 2003<br>£000  | 2002<br>£000  |
|----------------------------------------------|---------------|---------------|
| Interest payable to parent undertaking       | 24,874        | 91,893        |
| Other interest payable                       | 2,791         | 1,782         |
| Unwinding of discount on provision (Note 21) | -             | 1,074         |
|                                              | <u>27,665</u> | <u>94,749</u> |

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 10 TAXATION

|                                             | 2003<br>£000 | 2002<br>£000 |
|---------------------------------------------|--------------|--------------|
| <i>UK corporation tax</i>                   |              |              |
| Current tax credit on loss for the period   | (11,957)     | (5,370)      |
| Adjustment in respect of previous periods   | -            | 397          |
| <i>Overseas tax</i>                         |              |              |
| Current tax charge on profit for the period | 287          | 2,266        |
| Adjustment in respect of previous periods   | 96           | 146          |
| Total current tax credit                    | (11,574)     | (2,561)      |
| Deferred tax charge/(credit) (Note 15)      | 7,633        | (17,647)     |
| Tax on loss on ordinary activities          | (3,941)      | (20,208)     |

#### 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% (2002: 30%). The differences are explained below:

|                                                         | 2003<br>£000 | 2002<br>£000 |
|---------------------------------------------------------|--------------|--------------|
| <i>Current tax reconciliation</i>                       |              |              |
| Loss on ordinary activities before tax                  | (71,999)     | (11,713)     |
| Current tax credit at 30% (2002: 30%)                   | (21,600)     | (3,514)      |
| Effects of:                                             |              |              |
| Group relief surrendered without charge                 | 1,067        | 893          |
| Income/expenses not recognised for tax purposes         | 13,326       | 757          |
| Depreciation for period in excess of capital allowances | 2,611        | 5,750        |
| Overseas tax paid in excess of 30%                      | (265)        | 15           |
| Adjustment in respect of previous periods               | 96           | 543          |
| Tax losses brought forward                              | (6,809)      | (7,005)      |
| Total current tax credit                                | (11,574)     | (2,561)      |

### 11 DIVIDENDS

|                                                                                   | 2003<br>£000 | 2002<br>£000 |
|-----------------------------------------------------------------------------------|--------------|--------------|
| <i>Non-equity dividends on preference shares</i>                                  |              |              |
| Paid on 7 <sup>5</sup> / <sub>8</sub> per cent cumulative preference shares of £1 | 728          | 728          |

### 12 PROFIT OF THE COMPANY

The loss of the Company for the year to 31 December 2003 was £76,034,000 (2002: loss £206,329,000).



# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 13 TANGIBLE FIXED ASSETS

| <i>Group</i>                   | <i>Fixtures<br/>and fittings</i> | <i>Motor<br/>vehicles</i> | <i>Leasehold<br/>improvement<br/>s</i> | <i>Total</i>   |
|--------------------------------|----------------------------------|---------------------------|----------------------------------------|----------------|
|                                | £000                             | £000                      | £000                                   | £000           |
| <b>Cost</b>                    |                                  |                           |                                        |                |
| At 1 January 2003              | 832                              | 92                        | 203,662                                | 204,586        |
| Additions                      | 21                               | 50                        | 26,428                                 | 26,499         |
| Disposals                      | -                                | -                         | (3,005)                                | (3,005)        |
| Exchange<br>movements          | 18                               | -                         | -                                      | 18             |
| <b>At 31 December<br/>2003</b> | <b>871</b>                       | <b>142</b>                | <b>227,085</b>                         | <b>228,098</b> |
| <b>Depreciation</b>            |                                  |                           |                                        |                |
| At 1 January 2003              | 625                              | 46                        | 157,449                                | 158,120        |
| Charge for year                | 56                               | 19                        | 9,640                                  | 9,715          |
| Disposals                      | -                                | -                         | (869)                                  | (869)          |
| Exchange<br>movements          | 9                                | -                         | -                                      | 9              |
| <b>At 31 December<br/>2003</b> | <b>690</b>                       | <b>65</b>                 | <b>166,220</b>                         | <b>166,975</b> |
| <b>Net book value</b>          |                                  |                           |                                        |                |
| <b>At 31 December<br/>2003</b> | <b>181</b>                       | <b>77</b>                 | <b>60,865</b>                          | <b>61,123</b>  |
| At 31 December 2002            | 207                              | 46                        | 46,213                                 | 46,466         |

### 14 INVESTMENTS

#### (a) *Group*

| <b>Fixed asset investments</b>   | <i>Investment<br/>property<br/>£000</i> | <i>Other<br/>investments<br/>£000</i> | <i>Total<br/>£000</i> |
|----------------------------------|-----------------------------------------|---------------------------------------|-----------------------|
| Net book value 1 January<br>2003 | 6,095                                   | 513,443                               | 519,538               |
| Write back to cost               | -                                       | 451                                   | 451                   |
| Additions                        | -                                       | 180,000                               | 180,000               |
| Disposals                        | -                                       | (9,800)                               | (9,800)               |
| Impairment                       | -                                       | (75,000)                              | (75,000)              |
| Exchange movements               | -                                       | 100                                   | 100                   |
| <b>At 31 December 2003</b>       | <b>6,095</b>                            | <b>609,174</b>                        | <b>615,269</b>        |

#### (b) *Company*

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

| <b>Fixed asset investments</b> | <i>Shares in<br/>subsidiary<br/>undertakings</i><br><b>£000</b> | <i>Other<br/>investments</i><br><b>£000</b> | <i>Total</i><br><b>£000</b> |
|--------------------------------|-----------------------------------------------------------------|---------------------------------------------|-----------------------------|
| Net book value 1 January 2003  | 545,996                                                         | -                                           | 545,996                     |
| Additions                      | -                                                               | 180,000                                     | 180,000                     |
| Revaluation                    | 19,500                                                          | -                                           | 19,500                      |
| Exchange movements             | (40)                                                            | -                                           | (40)                        |
| Impairment                     | (75,000)                                                        | -                                           | (75,000)                    |
| <b>At 31 December 2003</b>     | <b>490,456</b>                                                  | <b>180,000</b>                              | <b>670,456</b>              |

### (c) *Subsidiary undertakings of the Company*

The principal subsidiary undertakings of the Company at 31 December 2003 were:

|                                                                                   | <i>Percentage<br/>holding</i> |
|-----------------------------------------------------------------------------------|-------------------------------|
| UBS Assets (UK) Limited                                                           | 100                           |
| UBS UK Finance Limited                                                            | 100                           |
| SBCI IB Limited (formerly SBCI Investment banking Ltd)                            | 100                           |
| S.G. Warburg & Co. International BV                                               | 100                           |
| S.G. Warburg Holdings Limited                                                     | 100                           |
| S.G. Warburg Overseas Limited                                                     | 100                           |
| UBS Overseas (UK) Limited                                                         | 100                           |
| UBS Securities International Limited (formerly UBS Warburg 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.

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 15 DEBTORS

|                                                                            | <i>Group</i>   |                  | <i>Company</i>   |                  |
|----------------------------------------------------------------------------|----------------|------------------|------------------|------------------|
|                                                                            | 2003<br>£000   | 2002<br>£000     | 2003<br>£000     | 2002<br>£000     |
| Amounts due from parent undertaking in respect of buy-sell back agreements | 142,926        | 1,918,666        | -                | -                |
| Other amounts due from parent undertaking                                  | 43,104         | 22,667           | 1,197            | 22,190           |
| Amounts due from group undertakings                                        | 5,752          | 836              | 3,456,233        | 3,637,735        |
| Corporation tax recoverable                                                | 13,220         | 13,950           | 13,172           | 11,146           |
| Deferred tax asset                                                         | 12,185         | 19,818           | -                | -                |
| Other debtors                                                              | 18,020         | 69,497           | 391              | 576              |
| Prepayments and accrued income                                             | -              | 10               | -                | -                |
|                                                                            | <u>235,207</u> | <u>2,045,444</u> | <u>3,470,993</u> | <u>3,671,647</u> |

#### Deferred tax asset

| <i>Group</i>                                        | 2003<br>£000  | 2002<br>£000  |
|-----------------------------------------------------|---------------|---------------|
| At 1 January                                        | 19,818        | 2,020         |
| (Debit)/credit to profit and loss account (Note 10) | (7,633)       | 17,647        |
| Corporation tax payable                             | -             | 151           |
| <b>At 31 December</b>                               | <u>12,185</u> | <u>19,818</u> |
| Comprising:                                         |               |               |
| Accelerated capital allowances                      | 12,185        | 10,714        |
| Tax losses carried forward                          | -             | 6,933         |
| Tax profits not recognised for accounting purposes  | -             | 2,171         |
|                                                     | <u>12,185</u> | <u>19,818</u> |

The deferred tax asset in respect of accelerated capital allowances and tax losses carried forward has been recognised because projections indicate that there will be profits in future years.

### 16 SECURITIES OWNED

|                         | 2003<br>£000   | 2002<br>£000   |
|-------------------------|----------------|----------------|
| Fixed income securities | 150,977        | 50,599         |
| Other securities        | <u>174,571</u> | <u>215,021</u> |
|                         | <u>325,548</u> | <u>265,620</u> |

Fixed income securities represent bonds held at market valuation. The cost of these bonds is £128,793,000 (2002: £43,928,000). Other securities represent shares held at market valuation.

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 17 CURRENT ASSET INVESTMENTS

| <i>Group</i>                     | £000     |
|----------------------------------|----------|
| Net book value at 1 January 2003 | 1,018    |
| Disposals                        | (1,067)  |
| Exchange movements               | 49       |
|                                  | <hr/>    |
| <b>At 31 December 2003</b>       | <b>-</b> |

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

|                                     | <i>Group</i>     |                  | <i>Company</i>   |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | 2003<br>£000     | 2002<br>£000     | 2003<br>£000     | 2002<br>£000     |
| Financial instruments               | 446,114          | 265,620          | -                | -                |
| Amounts owed to parent undertaking  | 602,636          | 2,326,529        | 565,012          | 399,127          |
| Amounts owed to group undertakings  | 39,614           | -                | 3,634,116        | 3,801,564        |
| Bank loans and overdrafts (Note 19) | -                | 39,690           | -                | -                |
| Corporation tax                     | 3,273            | 20,933           | -                | -                |
| Other creditors                     | 19,084           | 18,487           | 61               | 61               |
| Accruals and deferred income        | 756              | 1,784            | -                | -                |
|                                     | <hr/>            | <hr/>            | <hr/>            | <hr/>            |
|                                     | <b>1,111,477</b> | <b>2,673,043</b> | <b>4,199,189</b> | <b>4,200,752</b> |

Financial instruments disclosed above represents the market value of the Group's obligation under certain option contracts.

### 19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| <i>Group</i>                    | 2003<br>£000  | 2002<br>£000  |
|---------------------------------|---------------|---------------|
| 9% perpetual subordinated notes | 8,337         | 8,337         |
| Other loans                     | 6,100         | 6,100         |
|                                 | <hr/>         | <hr/>         |
|                                 | <b>14,437</b> | <b>14,437</b> |

The subordinated notes were issued by S.G. Warburg Group plc, a majority-owned subsidiary of the Company.

Other loans are repayable in more than one year, but not more than five years, at 31 December 2003 and 31 December 2002.

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 20 BANK LOANS AND OVERDRAFTS

| <i>Group</i>                                                   | 2003 |      | 2002   |        |
|----------------------------------------------------------------|------|------|--------|--------|
|                                                                | £000 | £000 | £000   | £000   |
| Repayable in one year or less or on demand:                    |      |      |        |        |
| — Bank overdrafts                                              | -    | -    | -      | -      |
| — Bank loans                                                   | -    | -    | 39,690 | 39,690 |
| Repayable in more than one year but not more than two years:   |      |      |        |        |
| — Bank loans                                                   | -    | -    | -      | -      |
| Repayable in more than two years but not more than five years: |      |      |        |        |
| — Bank loans                                                   | -    | -    | -      | -      |
|                                                                | -    | -    | 39,690 | 39,690 |

### 21 PROVISIONS FOR LIABILITIES AND CHARGES

| <i>Group</i>               | £000          |
|----------------------------|---------------|
| At 1 January 2003          | 11,448        |
| Increase in provision      | 905           |
| Amounts utilised           | (491)         |
| Unwinding of interest      | 548           |
| <b>At 31 December 2003</b> | <b>12,410</b> |

The provision relates to future rental shortfalls in respect of a sub-let property.

### 22 CALLED UP SHARE CAPITAL

|                                           | 2003<br>£000 | 2002<br>£000 |
|-------------------------------------------|--------------|--------------|
| <b>Authorised</b>                         |              |              |
| <i>Equity share capital</i>               |              |              |
| 5,000,000 Ordinary shares of £1 each      | 5,000        | 5,000        |
| <b>Allotted, called up and fully paid</b> |              |              |
| <i>Equity share capital</i>               |              |              |
| 5,000,000 Ordinary shares of £1 each      | 5,000        | 5,000        |

# UBS UK HOLDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| <i>Group</i>                                                                             | <i>Share<br/>capital<br/>£000</i> | <i>Profit<br/>and loss<br/>account<br/>£000</i> | <i>Other<br/>reserves<br/>£000</i> | <i>Total<br/>£000</i> |
|------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------|------------------------------------|-----------------------|
| At 1 January 2002                                                                        | 5,000                             | (782,608)                                       | 986,877                            | 209,269               |
| Retained profit for the year                                                             | -                                 | 7,767                                           | -                                  | 7,767                 |
| Foreign exchange differences<br>on the translation of<br>net investments in subsidiaries | -                                 | -                                               | 79                                 | 79                    |
| At 1 January 2003                                                                        | 5,000                             | (774,841)                                       | 986,956                            | 217,115               |
| Retained loss for the year                                                               | -                                 | (68,786)                                        | -                                  | (68,786)              |
| Foreign exchange differences<br>on the translation of<br>net investments in subsidiaries | -                                 | -                                               | 130                                | 130                   |
| <b>At 31 December 2003</b>                                                               | <b>5,000</b>                      | <b>(843,627)</b>                                | <b>987,086</b>                     | <b>148,459</b>        |

| <i>Company</i>             | <i>Share<br/>capital<br/>£000</i> | <i>Profit<br/>and loss<br/>account<br/>£000</i> | <i>Other<br/>reserves<br/>£000</i> | <i>Total<br/>£000</i> |
|----------------------------|-----------------------------------|-------------------------------------------------|------------------------------------|-----------------------|
| At 1 January 2002          | 5,000                             | (766,174)                                       | 987,020                            | 225,846               |
| Retained loss for the year | -                                 | (206,329)                                       | -                                  | (206,329)             |
| At 1 January 2003          | 5,000                             | (972,503)                                       | 987,020                            | 19,517                |
| Retained loss for the year | -                                 | (76,034)                                        | -                                  | (76,034)              |
| <b>At 31 December 2003</b> | <b>5,000</b>                      | <b>(1,048,537)</b>                              | <b>987,020</b>                     | <b>(56,517)</b>       |

## UBS UK HOLDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

#### 24 LEASE COMMITMENTS

At the year-end, the Group was committed to making the following payments during the next year in respect of operating leases:

|                                     | 2003<br>£000  | 2002<br>£000  |
|-------------------------------------|---------------|---------------|
| <i>Leasehold land and buildings</i> |               |               |
| Operating leases which expire:      |               |               |
| — within one year                   | 2,110         | 1,680         |
| — in two to five years              | 757           | 2,365         |
| — in over five years                | 63,252        | 64,865        |
|                                     | <u>66,119</u> | <u>68,910</u> |

#### 25 CAPITAL COMMITMENTS

There were no capital commitments in respect of the Group at 31 December 2003 and 31 December 2002.

#### 26 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, 100 Liverpool Street, London EC2M 2RH.

#### 27 POST BALANCE SHEET EVENTS

On 29 September 2004, the Company increased its investment in UBS Assets (UK) Limited by £25,000,000 represented by an additional 25,000,000 Ordinary shares of £1.00 each issued and fully paid for cash at par.

On 30 September 2004, UBS Assets (UK) Limited acquired an additional 59 B shares of £10 each in UBS Global Asset Management Holding (No.2) Ltd for an aggregate cash consideration of £25,000,000. Subsequently, UBS AG has expressed its willingness to purchase the Company's entire holding of B shares in UBS Global Asset Management Holding (No.2) Ltd for an aggregate cash consideration of £450,000,000 which is being considered by the Directors. Given the indicative price, an impairment of £75,000,000 has been made to the carrying value at 31 December 2003 of the consolidated group's investment in UBS Global Asset Management Holding (No.2) Ltd and also the Company's investment in UBS Assets (UK) Limited.