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UBS GLOBAL ASSET MANAGEMENT HOLDING LTD
(FORMERLY UBS ASSET MANAGEMENT HOLDING LIMITED)

Report and Financial Statements

31 December 2001

 ERNST & YOUNG



UBS Global Asset Management Holding Ltd
(formerly UBS Asset Management Holding Limited)

Registered No. 2251850

DIRECTORS

M G Boylan
G M Clarke
C H V Collins
M A Humphries
T P Madsen
M W Pavey
M Porter
M T Stemp
P T Yates

SECRETARY

G M Clarke

AUDITORS

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

REGISTERED OFFICE

21 Lombard Street
London
EC3V 9AH

UBS Global Asset Management Holding Ltd
(formerly UBS Asset Management Holding Limited)

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

During the year the company made a profit after taxation of £2,486,000. The directors do not recommend payment of a final dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company, is to act as a holding company and service company providing support functions to its subsidiary undertakings which carry on investment management business.

On 2 November 2001, the company changed its registered address to 21 Lombard Street, London, EC3V 9AH. On 8 April 2002 it changed its name to UBS Global Asset Management Holdings Ltd.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

R W T Apps (resigned 3 August 2001)
M G Boylan
G M Clarke (appointed 28 December 2001)
C H V Collins
M J Cueni (resigned 30 November 2001)
N D Cumming (resigned 30 October 2001)
R C Hindle Fisher (resigned 3 September 2001)
T P Madsen
M W Pavey (appointed 28 December 2001)
M Porter (appointed 28 December 2001)
M H R Ruetimann (resigned 28 December 2001)
M T Stemp (appointed 28 December 2001)
P T Yates (appointed 3 September 2001)

Director appointed since year end:

M A Humphries (appointed 7 January 2002)

No director or any member of his immediate family had any beneficial interest in, or was granted rights to subscribe for, the shares of any company required to be disclosed under section 324 of the Companies Act 1985.

FIXED ASSETS

During the year the company purchased fixed assets as disclosed in note 9 to the financial statements.

CHARITABLE DONATIONS

During the year the company made various charitable donations totalling £10,000 (2000 - £25,000).

UBS Global Asset Management Holding Ltd
(formerly UBS Asset Management Holding Limited)

DIRECTORS' REPORT

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board



G M Clarke
Secretary

12 April 2002

UBS Global Asset Management Holding Ltd
(formerly UBS Asset Management Holding Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

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; and
- 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 enable them 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UBS GLOBAL ASSET MANAGEMENT HOLDING LTD (FORMERLY UBS ASSET MANAGEMENT HOLDING LIMITED)

We have audited the company's financial statements for the year ended 31 December 2001 which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable 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 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.

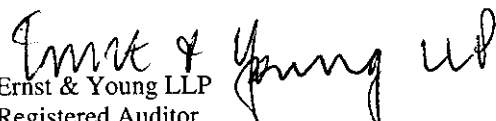
Basis of audit opinion

We conducted our audit in accordance with 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 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 of the state of affairs of the company as at 31 December 2001 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
London

12 April 2002

UBS Global Asset Management Holding Ltd
(formerly UBS Asset Management Holding Limited)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2001

	Notes	2001 £000	2000 £000
TURNOVER	2	31,877	25,988
Administrative expenses		(32,949)	(24,122)
Other operating income		1,138	222
OPERATING PROFIT		66	2,088
Income from shares in group undertakings		–	7,898
Interest payable and similar charges	3	(66)	(781)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	–	9,205
Taxation on profit on ordinary activities	7	2,486	(415)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,486	8,790
Dividends paid	8	–	(7,898)
RETAINED PROFIT FOR THE FINANCIAL YEAR		2,486	892
BALANCE BROUGHT FORWARD		10,926	10,034
BALANCE CARRIED FORWARD		13,412	10,926

There were no recognised gains or losses in 2001 and 2000 other than those reflected in the profit and loss account for each year.


UBS Global Asset Management Holding Ltd
(formerly UBS Asset Management Holding Limited)

BALANCE SHEET
at 31 December 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Tangible	9	1,440	1,818
Investments	10	25,490	25,490
		<u>26,930</u>	<u>27,308</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	11	123,715	85,873
Cash at bank		7,798	1
		<u>131,513</u>	<u>85,874</u>
CREDITORS: amounts falling due within one year	12	(125,728)	(91,711)
NET CURRENT LIABILITIES		<u>(5,785)</u>	<u>(5,837)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>32,715</u>	<u>21,471</u>
Provisions for liabilities and other charges	13	(11,323)	(2,565)
NET ASSETS		<u>21,392</u>	<u>18,906</u>
CAPITAL AND RESERVES			
Called up share capital	14	7,980	7,980
Profit and loss account		13,412	10,926
EQUITY SHAREHOLDERS' FUNDS	15	<u>21,392</u>	<u>18,906</u>

Approved by the Board of Directors on 12 April 2002 and signed on its behalf by:


M Porter


M W Pavey

Directors

UBS Global Asset Management Holding Ltd
(formerly UBS Asset Management Holding Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

1. ACCOUNTING POLICIES

Basis of accounting

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

Turnover

Turnover comprises expenses recharged or allocated to other group undertakings.

Tangible fixed assets and depreciation

Tangible fixed assets are shown at cost less depreciation, which is calculated using the straight line method over the assets useful lives as follows:

Computer equipment:	
Computer software	Written off on acquisition
Computer hardware	36 to 60 months
Office machines	60 months
Office furniture	120 months
Cars	60 months
Leasehold improvements	60 months

Investments

Investments are carried at the lower of cost and directors' valuation.

Deferred taxation

Provision is made for deferred taxation on timing differences where there is a reasonable probability that the related asset or liability will crystallise in the foreseeable future.

Operating leases

Rentals under operating leases are charged against income as incurred.

Pensions

The company operates a defined benefit scheme and a defined contribution scheme. The cost of providing pension benefits in the defined benefits scheme is assessed in accordance with the advice of a qualified actuary using the straight line write-down method, and is charged to the profit and loss account over the period benefiting from employees' services. The cost associated with the defined contribution scheme represents contributions payable.

Cash flow statement

The company is a wholly owned subsidiary of UBS AG and is included in the consolidated financial statements of UBS AG. The company has taken advantage of the exemption from preparing a cash flow statement under Financial Reporting Standard 1 (Revised 1996).

2. TURNOVER

	2001	2000
	£000	£000
Expenses recharges to subsidiary undertakings	31,877	25,989
Expenses recharged to other group undertakings	—	(1)
	<u>31,877</u>	<u>25,988</u>

UBS Global Asset Management Holding Ltd
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NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £000	2000 £000
Interest payable on overdrafts and bank loans	1	—
Interest payable on other loans	65	781
	<u>66</u>	<u>781</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	2001 £000	2000 £000
Depreciation	3,207	3,033
Auditors' remuneration - audit fees	11	6
- other services	—	6
Operating lease rentals - hire of plant and machinery	68	80
- other operating leases	3,556	3,149
Rationalisation costs following the business combination of UBS Brinson with UBS Global Asset Management	—	4,500
Onerous lease costs	11,597	—
	<u>11,597</u>	<u>—</u>

5. DIRECTORS AND EMPLOYEES

	2001 No.	2000 No.
Average number of employees during the year, including directors	143	126

	2001 £000	2000 £000
Employee costs:		
Wages and salaries	7,708	7,172
Social security costs	773	819
Pension costs	158	347
	<u>8,639</u>	<u>8,338</u>

	2001 £000	2000 £000
Emoluments of directors		
Directors' aggregate emoluments in respect of management services to the company	202	247

All directors have retirement benefits accruing to them under the company's defined benefit pension scheme and are also members of the supplementary pension plan.

UBS Global Asset Management Holding Ltd
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NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2001

5. DIRECTORS AND EMPLOYEES (continued)

	2001	2000
	£000	£000
Highest paid director		
Aggregate emoluments	122	214
Defined benefit pension scheme:		
Accrued pension at the end of year	17	22

6. TRANSACTIONS WITH DIRECTORS AND CONNECTED PERSONS

Directors are entitled to deal in securities with UBS AG Group companies in accordance with the UBS Global Asset Management Group's personal account dealing rules. These provide that the directors obtain prior permission and must comply with restrictions designed to avoid conflicts of interest or dealing of a speculative nature.

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2001	2000
	£000	£000
The credit/(charge) for taxation comprises:		
Corporation tax charge at 30% (2000 – 30%)	1,736	(415)
Overprovision in prior periods	750	–
	2,486	(415)

8. DIVIDENDS

	2001	2000
	£000	£000
Paid	–	7,898

UBS Global Asset Management Holding Ltd
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NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

9. TANGIBLE ASSETS

	<i>Computer Equipment £000</i>	<i>Office fittings £000</i>	<i>Leasehold improvements £000</i>	<i>Cars £000</i>	<i>Total £000</i>
Cost:					
At 1 January 2001	11,715	3,019	3,954	250	18,938
Additions	2,046	869	4	–	2,919
Disposals	(10,946)	(1,147)	(3,292)	(250)	(15,635)
At 31 December 2001	2,815	2,741	666	–	6,222
Depreciation:					
At 1 January 2001	11,130	2,079	3,756	155	17,120
Charge in year	1,906	1,151	145	5	3,207
Disposals	(10,946)	(1,147)	(3,292)	(160)	(15,545)
At 31 December 2001	2,090	2,083	609	–	4,782
Net book amount at 31 December 2001	725	658	57	–	1,440
31 December 2000	585	940	198	95	1,818

10. INVESTMENTS

	<i>2001 £000</i>	<i>2000 £000</i>
Shares in subsidiary undertakings at cost:		
UBS Global Asset Management (UK) Ltd	7,517	7,517
UBS Global Asset Management International Ltd	2,963	2,963
UBS Global Asset Management Client Services Ltd	10,000	10,000
UBS Global Asset Management Life Ltd	5,000	5,000
UBS Global Asset Management (Jersey) Ltd (£2)	–	–
Phildrew Nominees Limited (£10)	–	–
Shares in unlisted companies	10	10
	25,490	25,490

11. DEBTORS

	<i>2001 £000</i>	<i>2000 £000</i>
Due within one year:		
Amounts owed by group undertakings	120,280	83,586
Other debtors	1,914	1,719
Prepayments and accrued income	1,521	568
	123,715	85,873

UBS Global Asset Management Holding Ltd
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NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

12. **CREDITORS:** amounts falling due within one year

	2001 £000	2000 £000
Bank loans and overdrafts	–	403
Amounts owed to group undertakings	93,716	46,350
Trade creditors	1,400	1,311
Taxation and social security	3,129	4,832
Other creditors	2,014	2,958
Accruals and deferred income	25,469	35,857
	<u>125,728</u>	<u>91,711</u>

13. **PROVISIONS FOR LIABILITIES AND OTHER CHARGES**

	2001 £000	2000 £000
Provisions at 1 January	3,565	3,307
Additions	11,597	1,000
Amounts utilised	(3,839)	(742)
Provisions at 31 December	<u>11,323</u>	<u>3,565</u>

At 31 December 2001 an amount of £11,323,000 has been provided for against the estimated net present value of future running costs of onerous lease contracts, following the Group's relocation to new premises. The estimate is based on advice provided by Jones Laing LaSalle who are acting as Estate Agents for the vacated property

14. **CALLED UP SHARE CAPITAL**

	2001 £000	2000 £000
Authorised:		
15,000,000 Ordinary shares of £1 each	15,000	15,000
Allotted and fully paid		
7,980,168 Ordinary shares of £1 each	7,980	7,980

15. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2001 £000	2000 £000
Profit for the year	2,486	8,790
Dividends	–	(7,898)
Net increase in shareholders' funds for the year	2,486	892
Opening shareholders' funds	18,906	18,014
Closing shareholders' funds	<u>21,392</u>	<u>18,906</u>

UBS Global Asset Management Holding Ltd
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NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

16. LEASE COMMITMENTS

Payments committed to be made in the next year under operating leases analysed according to the period after 31 December 2001 in which the commitments are due to expire are as under:

	2001	2000
	£000	£000
Land and buildings:		
Over 5 years	8,433	3,014
Other operating leases:		
Within the next year	12	9
In the second to fifth years inclusive	46	95

17. PENSIONS

The company operates both a defined benefit scheme, Union Bank of Switzerland UK Staff Pension Scheme (known as the Former scheme), and a defined contribution scheme, known as the Union Bank of Switzerland Supplementary Pension Plan. These are UBS schemes and are part of UBS group policy. All UBS employees within the UK are members of the scheme and disclosures of the Scheme are made within UBS Group's financial statements.

Under the new UK GAAP standard FRS 17 – Retirement Benefits; the Former scheme is classified as a Multi-employer scheme. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and therefore, in accordance with exceptions set out in FRS 17, it accounts for the contributions to the scheme as if it were a defined contribution scheme. At 31 December 2001 there was a surplus in the scheme of CHF 9m.

The group has also made contributions during 2001 to the Union Bank of Switzerland Supplementary Pension Plan, a defined contribution scheme.

The total pension cost for the company was £158,000 (2000 - £407,000), all of which related to the schemes outlined above. An amount of £376,000 (2000 - £622,000) is included in creditors, being the amount outstanding to these schemes as at 31 December 2001.

UBS Global Asset Management Holding Ltd
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NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2001

18. CAPITAL COMMITMENTS

The company had the following authorised future capital expenditure not provided for at 31 December 2001:

	2001	2000
	£000	£000
Commitments for which contracts have been placed	-	225

19. RELATED PARTY TRANSACTIONS

No disclosure has been made of transactions with other subsidiary undertakings, in accordance with paragraph 3(c) of FRS8 'Related Party Disclosures', as the company is a wholly owned subsidiary of UBS Global Asset Management Holding (No. 2) Ltd. There were no transactions with any other related parties in 2001 (2000 - £nil).

20. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the company at 31 December 2001, all of which are engaged in investment management, advisory and related services, are shown below. All are wholly owned, those held directly by the company being marked with an asterisk. All subsidiary undertakings are registered in England and operate in the United Kingdom, with the exception of UBS Global Asset Management (Jersey) Ltd, which operates in Jersey and Phillips & Drew International Inc, which is incorporated and operates in the USA.

*UBS Global Asset Management (UK) Ltd, whose subsidiaries are UBS Global Asset Management Funds Limited and UBS Global Asset Management Ventures Ltd.

*UBS Global Asset Management International Limited, whose subsidiary is Phillips & Drew International Inc.

*Phildrew Nominees Limited

*UBS Global Asset Management Client Services Ltd.

*UBS Global Asset Management (Jersey) Ltd.

*UBS Global Asset Management Life Ltd.

The company does not publish consolidated financial statements, being exempt from this requirement under s228 of the Companies Act 1985.

21. PARENT UNDERTAKINGS

The company's immediate parent undertaking is UBS Global Asset Management Holding (No. 2) Ltd. The smallest group into which the company is consolidated is UBS Global Asset Management Holding (No. 2) Ltd. Copies of these financial statements can be obtained from Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ.

The ultimate parent undertaking is UBS AG, a company incorporated in Switzerland. This is the largest group company preparing consolidated financial statements which include the company's financial statements. Copies of the financial statements of UBS AG can be obtained from the Company Secretary, UBS AG London Branch, 100 Liverpool Street, London EC2M 2RH.