

UBS ASSET MANAGEMENT LONDON LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1994



COMPANY NO. 2251850

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 1994.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

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 business. PDFM Limited is its principal subsidiary undertaking.

FIXED ASSETS

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

RESULTS AND DIVIDENDS

During the year the company made a profit after taxation of £27,748,845. Interim dividends of £11,400,000, £7,800,000 and £8,600,000 were approved and paid on 3 October 1994, 1 November 1994 and 1 February 1995 respectively. The directors do not recommend payment of a final dividend, and propose that the deficit of £51,155 be transferred to reserves.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were as follows:-

P J de Weck	- resigned 1 July 1994
A J Dye	
S Haeringer	- appointed 1 July 1994
Dr F P Kuehne	
J B Marsh	
P M C Meredith	
R G Mueller	
D Robins	- appointed 1 July 1994

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.

UBS ASSET MANAGEMENT LONDON LIMITED

AUDITORS

Price Waterhouse have signified their willingness to continue in office. In accordance with section 384(1) of the Companies Act 1985 a resolution proposing their re-appointment will be proposed at an Annual General Meeting.

By order of the Board



G M Clarke
Secretary

17 February 1995

AUDITORS' REPORT TO THE SHAREHOLDERS OF

UBS ASSET MANAGEMENT LONDON LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors
17 February 1995

Southwark Towers
32 London Bridge Street
London SE1 9SY

UBS ASSET MANAGEMENT LONDON LIMITED

PROFIT AND LOSS ACCOUNT

for the 12 months ended 31 December 1994

	Notes	1994	1993
		£'000	£'000
TURNOVER	1,2	14,605	16,931
Administrative expenses		(14,329)	(16,719)
Other operating income		250	151
OPERATING PROFIT		526	363
Income from shares in group undertakings		27,800	35,081
Interest receivable and similar income		106	-
Interest payable and similar charges	3	(632)	(362)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	27,800	35,082
Taxation on profit on ordinary activities	7	(51)	(49)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		27,749	35,033
Dividends	8	(27,800)	(25,079)
RETAINED (DEFICIT)/PROFIT FOR THE FINANCIAL YEAR		(51)	9,954
BALANCE BROUGHT FORWARD		10,001	47
BALANCE CARRIED FORWARD		9,950	10,001

There were no recognised gains and losses in 1994 or 1993 other than those reflected in the profit and loss account for each year.

The company has made no acquisitions nor discontinued any operations within the meaning of Financial Reporting Standard 3 during either 1994 or 1993. Therefore turnover and operating profit derive entirely from continuing operations.

The notes on pages 6 to 13 form part of these financial statements.

UBS ASSET MANAGEMENT LONDON LIMITED

BALANCE SHEET

as at 31 December 1994

	Notes	1994	1993
		£'000	£'000
FIXED ASSETS			
Tangible	9	3,907	3,212
Investments	10	20,480	20,480
		<u>24,387</u>	<u>23,692</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	11	37,908	30,090
: amounts falling due after more than one year	11	5,743	4,094
Cash at bank		2	1
		<u>43,653</u>	<u>34,185</u>
CREDITORS: amounts falling due within one year	12	(39,949)	(31,405)
NET CURRENT ASSETS		<u>3,704</u>	<u>2,780</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,091</u>	<u>26,472</u>
CREDITORS: amounts falling due after more than one year	13	(10,161)	(8,491)
NET ASSETS		<u>17,930</u>	<u>17,981</u>
CAPITAL AND RESERVES			
Called up share capital	15	7,980	7,980
Profit and loss account		9,950	10,001
	16	<u>17,930</u>	<u>17,981</u>

The notes on pages 6 to 13 form part of these financial statements.

Approved by the Board of Directors on 17 February 1995 and signed on its behalf by :

P M C Meredith

P. Meredith

Directors

D Robins

D. Robins

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1994

1 ACCOUNTING POLICIES

a) Basis of Accounting

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

b) Turnover

Turnover comprises expenses recharged or allocated to other group undertakings.

c) 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:	
Stand alone PC's	36 months
Other	36 to 60 months
Other equipment and fittings	60 months
Cars	48 months

d) Investments

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

e) 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.

f) Operating Leases

Rentals under operating leases are charged against income as incurred.

g) Pensions

The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from employees' services.

2 TURNOVER

	1994	1993
	£'000	£'000
Expenses recharged to subsidiary undertakings	14,597	16,921
Expenses recharged to other group undertakings	8	10
	<u>14,605</u>	<u>16,931</u>

3 INTEREST PAYABLE

Relates to bank loans, overdrafts and other loans wholly repayable within 5 years.

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1994

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION
is stated after charging

	1994	1993
	£'000	£'000
Depreciation	1,498	1,315
Auditors' remuneration		
Audit fees	15	6
Other services	6	7
Operating lease rentals		
Hire of plant and machinery	363	903
Other operating leases	2,213	2,052
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5 DIRECTORS AND EMPLOYEES

	1994	1993
a) Average number of employees during the year, including directors	100	168
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	£'000	£'000
b) Employee costs:-		
Wages and salaries	5,821	7,987
Social security costs	417	466
Pension costs	84	310
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c) Emoluments of directors:-		
Directors' emoluments in respect of management services to the company and its subsidiaries	3,223	1,806
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The chairman received no emoluments

The emoluments of the highest paid director, excluding pension contributions amounted to £1,234,667 (1992: £652,473).

Directors' emoluments, excluding pension contributions, were as follows:-

£ 0 - £ 5,000	5	3
£ 490,001 - £ 495,000	-	1
£ 585,001 - £ 590,000	-	1
£ 650,001 - £ 655,000	-	1
£ 735,001 - £ 740,000	1	-
£ 890,001 - £ 895,000	1	-
£1,230,001 - £1,235,000	1	-
	<hr/>	<hr/>

Amounts payable to directors are included in directors' emoluments in the year of payment.

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1994

6 TRANSACTIONS WITH DIRECTORS AND CONNECTED PERSONS

Directors are entitled to deal in securities with UBS Group companies in accordance with UBS Asset Management London Limited's personal account dealing rules. These provide that the directors receive the same terms as clients, except that they are entitled to reduced commission rates, but they must 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

	1994	1993
	£'000	£'000
The charge for taxation @ 33% comprises:-		
Charge in respect of amount due to other UBS Group undertakings for corporation tax losses to be surrendered by them for full consideration.	(1,700)	(2,320)
Deferred taxation (see note 14)	1,649	2,271
	<u>(51)</u>	<u>(49)</u>

8 DIVIDENDS

	1994	1993
	£'000	£'000
Paid	19,200	21,579
Proposed	8,600	3,500
	<u>27,800</u>	<u>25,079</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1994

9 TANGIBLE FIXED ASSETS

	Computer Equipment	Office Fittings	Leasehold Improvements	Cars	Total
	£'000	£'000	£'000	£'000	£'000
Cost:-					
1 January 1994	4,752	820	1,195	787	7,554
Additions	1,053	303	557	403	2,316
Disposals	(1)	-	-	(167)	(168)
31 December 1994	<u>5,804</u>	<u>1,123</u>	<u>1,752</u>	<u>1,023</u>	<u>9,702</u>
Depreciation:-					
1 January 1994	3,252	385	553	152	4,342
Charge in year	926	151	237	184	1,498
Disposals	(1)	-	-	(44)	(45)
31 December 1994	<u>4,177</u>	<u>536</u>	<u>790</u>	<u>292</u>	<u>5,795</u>
Net Book Value:-					
31 December 1994	<u>1,627</u>	<u>587</u>	<u>962</u>	<u>731</u>	<u>3,907</u>
31 December 1993	<u>1,500</u>	<u>435</u>	<u>642</u>	<u>635</u>	<u>3,212</u>

10 INVESTMENTS

Shares in group undertakings at cost:-

	1994	1993
	£'000	£'000
PDFM Limited	7,517	7,517
UBS International Investment London Limited	2,963	2,963
UBS Asset Administration Limited	10,000	10,000
UBSAM (Jersey) Limited (£2)	-	-
Phildrew Nominees Limited (£100)	-	-
Phillips & Drew Fund Management Limited (dormant) (£2)	-	-
	<u>20,480</u>	<u>20,480</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1994

11 DEBTORS

	1994	1993
	£'000	£'000
Due within one year:		
Amounts owed by UBS Group undertakings	35,775	28,854
Other debtors	790	403
Prepayments and accrued income	1,343	833
	<u>37,908</u>	<u>30,090</u>
Due after more than one year:		
Deferred tax (see note 14)	5,743	4,094
	<u>43,651</u>	<u>34,184</u>

12 CREDITORS: amounts falling due within one year

	1994	1993
	£'000	£'000
Bank loans and overdrafts	752	600
Amounts owed to UBS Group undertakings	11,333	8,890
Trade creditors	901	1,057
Taxation and social security	2,912	436
Other creditors	8	14
Accruals and deferred income	24,043	20,408
	<u>39,949</u>	<u>31,405</u>

Amounts owed to UBS Group undertakings include payments due for Group tax relief to be surrendered of £1,464,324 (1993:£2,319,732) and proposed dividends of £8,600,000 (1993:£3,500,000).

13 CREDITORS: amounts falling due after more than one year.

	1994	1993
	£'000	£'000
Taxation and social security	1,651	1,178
Accruals and deferred income	8,510	7,313
	<u>10,161</u>	<u>8,491</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1994

14 DEFERRED TAXATION

	1994	1993
	£'000	£'000
1 January 1994	4,094	1,823
Credited to profit & loss account	1,649	2,271
31 December 1994	<u>5,743</u>	<u>4,094</u>

Deferred tax is attributable to:

	1994	1993
	£'000	£'000
Accelerated capital allowances	(69)	(116)
Accrued expenditure disallowable	5,812	4,210
	<u>5,743</u>	<u>4,094</u>

15 CALLED UP SHARE CAPITAL

	1994	1993
	£'000	£'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	<u>7,980</u>	<u>7,980</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994	1993
	£'000	£'000
Profit for the year	27,749	35,033
Dividends	(27,800)	(25,079)
Net (decrease)/increase in shareholders' funds for the year	(51)	9,954
Opening shareholders' funds	<u>17,981</u>	<u>8,027</u>
Closing shareholders' funds	<u>17,930</u>	<u>17,981</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1994

17 LEASE COMMITMENTS

Payments committed to be made in the next year under operating leases analysed according to the period after 31 December 1994 in which the commitments are due to expire are as under:-

	1994	1993
	£'000	£'000
Land and buildings:		
Over 5 years	2,254	1,845
Other operating leases:		
Within the next year	63	60
In the 2nd to 5th years inclusive	176	463
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18 PENSIONS

The company has contributed to the UBS (UK) Staff Pension Scheme, a defined benefit scheme with assets held in a trustee-administered fund, the contributions to which are based on the pension costs of the Group as a whole. The scheme provides pension benefits related to service and final earnings, with provisions for dependants on death.

Particulars of the latest actuarial valuation are disclosed in the financial statements of UBS UK Holding Limited.

19 CAPITAL COMMITMENTS

The company had £80,754 authorised future capital expenditure not provided for at 31 December 1994 (1993:£23,971).

20 SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the company at 31 December 1994, 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 UK, with the exception of UBSAM (Jersey) Limited, which operates in Jersey and UBS International Investment London Inc, which is incorporated and operates in the USA.

- * PDFM Limited
 - PDFM Unit Managers Limited
 - PDFM Ventures Limited
- * UBS International Investment London Limited
 - UBS International Investment London Inc.
- * Phildrew Nominees Limited
- * UBS Asset Administration Limited
- * UBSAM (Jersey) Limited
- * Phillips & Drew Fund Management Limited (dormant)

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

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1994

21 PARENT UNDERTAKINGS

The ultimate parent undertaking is Union Bank of Switzerland, a company incorporated in Switzerland. This is the most senior company preparing consolidated financial statements which include the company's financial statements.

The most immediate parent undertaking preparing such financial statements is UBS UK Holding Limited, a company registered in England.

Copies of the financial statements of Union Bank of Switzerland can be obtained from:

UBS London Branch
100 Liverpool Street
LONDON EC2M 2RH

Copies of the financial statements of UBS UK Holding Limited can be obtained from:

Companies House
Crown Way
Maindy
CARDIFF