

2251850

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

Report and Financial Statements

31 December 2007

FRIDAY



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22/08/2008
COMPANIES HOUSE

UBS Global Asset Management Holding Ltd

Registered No 2251850

DIRECTORS

R Beechey

M Khosla

M T Stemp

SECRETARY

R Beechey

AUDITORS

Ernst & Young LLP

1 More London Place

London

SE1 2AF

REGISTERED OFFICE

21 Lombard Street

London

EC3V 9AH

UBS Global Asset Management Holding Ltd

DIRECTORS' REPORT (CONTINUED)

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2007

RESULTS AND DIVIDENDS

During the year the Company made a loss after taxation of £2,583,000 (2006 – profit of £8,105,000) The Directors do not recommend payment of a final dividend (2006 – nil)

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

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

The Directors anticipate that the business will continue for the foreseeable future

PRINCIPAL RISKS AND UNCERTAINTIES

Given that the nature of the Company's business is one of a holding and service company providing support functions to its subsidiaries which carry on investment management activities, the risks to which the Company is exposed are principally those of a fiduciary nature and are managed according to UBS AG guidelines As a wholly-owned subsidiary of UBS AG, the Company operates in line with UBS AG Group policies, including environmental and ethical standards

KEY PERFORMANCE INDICATORS

Given the scope of the business that the Company conducts and also as it is a wholly-owned subsidiary of UBS AG, the Directors are of the opinion that the use of key performance indicators or other forms of performance measurement is not necessary in providing an understanding of the development, performance or position of the Company and its business for the purposes of Section 234ZZB of the Companies Act 1985 The parent company maintains an oversight of the Company's performance under the UBS Global Asset Management business and management structures However, the Directors are satisfied that the Company's business is operating and performing in accordance with and to the standards expected by those business and management structures The Directors continually and actively monitored the Company's regulatory capital limits during the year There has been no change in this status since the year

FUTURE DEVELOPMENTS

The Directors intend to continue to assess relevant opportunities to develop or expand the Company's activities provided these are consistent with the UBS business strategy and direction

The Directors assessed the implications of the Basel II capital requirements in relation to the Company and its business operating model and as a result of the review an ICAAP report was submitted to the FSA during December 2007

DIRECTORS

The Directors during the year were as follows

R Beechey
M Khosla
M T Stemp

DIRECTORS' REPORT (CONTINUED)

CREDITOR PAYMENT POLICY AND PRACTICE

The Company's normal practice in the UK is to agree the terms of payment with suppliers at the time of contract and to make payment within the agreed credit term subject to satisfactory performance. The company does not follow any code or standard on payment practice.

At 31 December 2007, the Company had an average of 33 days (2006 – 96 days) purchases outstanding in trade creditors.

CHARITABLE DONATIONS

During the year the Company made charitable donations of £3,000 (2006 - Nil).

EMPLOYEES

Information on the Company's activities and consultation with staff is provided regularly through various management communication channels. These include circulation of notices and presentations by senior management.

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Company encourages the involvement of employees in the Company's performance through a number of compensation schemes which are based on UBS AG's shares.

AUDITORS

The auditors will be deemed to be reappointed at the end of their term under the Companies Act 2006.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

By order of the board



R Beechey
Secretary

31 March 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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 judgments 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 that disclose with reasonable accuracy at any time the financial position of the Company and 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 AUDITOR'S REPORT TO THE MEMBERS OF UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

We have audited the Company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance sheet and the related notes 1 to 19. These financial statements have been prepared under 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 auditors' 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

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

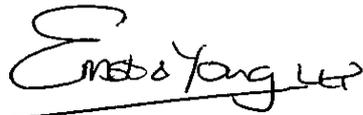
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBS GLOBAL ASSET
MANAGEMENT HOLDING LTD (continued)**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements



Ernst & Young LLP
Registered auditor
London

31 March 2008

UBS Global Asset Management Holding Ltd

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>
TURNOVER	2	155,276	134,380
Administrative expenses		(157,017)	(135,181)
Other operating income		1,567	801
OPERATING LOSS	3	(174)	–
Bank interest receivable		174	–
Dividends received from group undertaking		–	5,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		–	5,000
Taxation on profit on ordinary activities	6	(2,583)	3,105
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u>(2,583)</u>	<u>8,105</u>

All of the amounts above are in respect of continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses in 2007 and 2006 other than those reflected in the profit and loss account for each year

The notes on pages 9 to 17 form an integral part of these financial statements

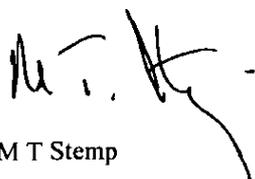
UBS Global Asset Management Holding Ltd

BALANCE SHEET

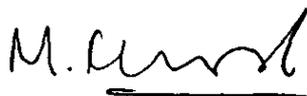
at 31 December 2007

	Notes	2007 £000	2006 £000
FIXED ASSETS			
Tangible fixed assets	7	11,231	8,389
Investments	8	101,692	71,692
		<u>112,923</u>	<u>80,081</u>
CURRENT ASSETS			
Debtors	9	43,702	48,267
Cash at bank		2,107	2
		<u>45,809</u>	<u>48,269</u>
CREDITORS: amounts falling due within one year	10	<u>(69,683)</u>	<u>(67,301)</u>
NET CURRENT LIABILITIES		<u>(23,874)</u>	<u>(19,032)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>89,049</u>	<u>61,049</u>
Provisions for liabilities and other charges	11	(6,221)	(5,638)
NET ASSETS		<u>82,828</u>	<u>55,411</u>
CAPITAL AND RESERVES			
Called up share capital	12	77,980	47,980
Profit and loss account		4,848	7,431
EQUITY SHAREHOLDERS FUNDS	13	<u>82,828</u>	<u>55,411</u>

Approved and authorised for issue by the Board of Directors on 31 March 2008 and signed on its behalf by



M T Stemp



M Khosla

Directors

The notes on pages 9 to 17 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

1. ACCOUNTING POLICIES

Basis of accounting

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to 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 currency investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Turnover

Turnover, stated net of value added tax, 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 software	Written off on acquisition
Computer hardware	36 to 60 months
Office machines	60 months
Office furniture	120 months
Leasehold improvements	shorter of 120 months or the life of the lease

Investments

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

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 benefit 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.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- 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 the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

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)

Share-based payments

The Company provides various equity participation plans as detailed in note 14 to the accounts. The Company recognises the fair value of the stock and stock option awards determined at the date of grant as compensation expense over the required service period, which is generally the vesting period. The fair value of stock awards is equal to the market price at the date of grant. For stock options, fair value is determined using a proprietary option valuation model that reflects employees exercise behaviour and the specific terms and conditions under which the options are granted

2. TURNOVER

	2007	2006
	£000	£000
Expenses recharged to subsidiary undertakings	155,276	134,380

Turnover is primarily from activities based in the United Kingdom and the Company operates wholly within the United Kingdom

UBS Global Asset Management Holding Ltd

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

3. OPERATING (LOSS)/PROFIT

This is stated after charging

	2007	2006
	£000	£000
Depreciation	3,773	2,054
Auditors' remuneration - audit fees	14	12
Operating lease rentals - hire of plant and machinery	3	38
- land and buildings	5,899	6,211
	<u> </u>	<u> </u>

4. DIRECTORS AND EMPLOYEES

	2007	2006
	No	No

Monthly average number of employees during the year, including directors, categorised as follows

Performance management	251	243
Logistics and IT	189	190
Business management and support	51	51
Total	<u>491</u>	<u>484</u>

	2007	2006
	£000	£000
Employee costs		
Wages and salaries	81,643	71,053
Social security costs	7,823	8,453
Pension costs	1,442	968
	<u>90,908</u>	<u>80,474</u>

Directors' emoluments are payable by another company of the UBS AG Group and are not separately recharged to UBS Global Asset Management Holding Ltd. The below disclosures are therefore in respect of directors' emoluments in respect of qualifying services to the Group rather than to the Company alone.

	2007	2006
	£000	£000
Emoluments of directors		
Aggregate emoluments in respect of qualifying services to companies of the UBS Global Asset Management Group	<u>1,388</u>	<u>1,292</u>

UBS Global Asset Management Holding Ltd

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

4. DIRECTORS AND EMPLOYEES (CONTINUED)

	2007 <i>No</i>	2006 <i>No</i>
Directors to whom benefits are accrued under defined benefit schemes	2	3
Directors to whom benefits are accrued under defined contribution schemes	1	–
	<u> </u>	<u> </u>
	2007 £000	2006 £000
Highest paid director		
Aggregate emoluments	733	778
Defined benefit pension scheme		
Accrued pension at the end of the year	40	36
	<u> </u>	<u> </u>

5. 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.

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2007 £000	2006 £000
The charge/(credit) for taxation comprises		
Corporation tax at 30% (2006 – 30%)	2,583	(3,105)
	<u> </u>	<u> </u>
Factors affecting current tax charge/(credit) for the year		
	2007 £000	2006 £000
Profit on ordinary activities before tax	–	5,000
	<u> </u>	<u> </u>
Current tax charge at standard UK corporation tax rate of 30% (2006 - 30%)	–	1,500
Disallowable expenses (Capital allowances in excess of depreciation)/depreciation in excess of capital allowances	1,687	(928)
Prior year adjustment	294	29
Non-taxable dividend income	602	(2,206)
	–	(1,500)
	<u> </u>	<u> </u>
Current tax charge/(credit) for the year	2,583	(3,105)
	<u> </u>	<u> </u>

UBS Global Asset Management Holding Ltd

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

7. TANGIBLE FIXED ASSETS

	<i>Computer Equipment</i> £000	<i>Office fittings</i> £000	<i>Leasehold improvements</i> £000	<i>Total</i> £000
Cost				
At 1 January 2007	7,854	1,814	8,827	18,495
Additions	2,664	–	3,951	6,615
At 31 December 2007	<u>10,518</u>	<u>1,814</u>	<u>12,778</u>	<u>25,110</u>
Depreciation				
At 1 January 2007	6,509	1,686	1,911	10,106
Charge in year	1,437	61	2,275	3,773
At 31 December 2007	<u>7,946</u>	<u>1,747</u>	<u>4,186</u>	<u>13,879</u>
Net book amount at 31 December 2007	<u>2,572</u>	<u>67</u>	<u>8,592</u>	<u>11,231</u>
1 January 2007	<u><u>1,345</u></u>	<u><u>128</u></u>	<u><u>6,916</u></u>	<u><u>8,389</u></u>

8. INVESTMENTS

	2007 £000	2006 £000
Shares in subsidiary undertakings at cost		
UBS Global Asset Management (UK) Ltd	62,517	32,517
UBS Global Asset Management Funds Ltd	11,212	11,212
Dillon Read Capital Management (UK) Ltd	17,963	17,963
UBS Global Asset Management Client Services Ltd	5,000	5,000
UBS Global Asset Management Life Ltd	5,000	5,000
UBS Global Asset Management (Jersey) Ltd (£2)	–	–
Phildrew Nominees Limited (£10)	–	–
	<u>101,692</u>	<u>71,692</u>

During the year the Company increased its investment in its subsidiary undertaking of UBS Global Asset Management (UK) Ltd for a consideration of £30,000,000

9. DEBTORS

	2007 £000	2006 £000
Amounts owed by group undertakings	37,448	40,085
Other debtors	754	656
Prepayments and accrued income	4,563	4,899
Taxation	937	2,627
	<u>43,702</u>	<u>48,267</u>

UBS Global Asset Management Holding Ltd

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

10. CREDITORS: amounts falling due within one year

	2007	2006
	£000	£000
Amounts owed to group undertakings	9,986	15,593
Accruals and deferred income	58,202	51,708
Taxation	1,495	–
	<u>69,683</u>	<u>67,301</u>

11. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	2007	2006
	£000	£000
Provisions at 1 January	5,638	1,118
Additions	583	4,520
	<u>6,221</u>	<u>5,638</u>

At 31 December 2007 an amount of £5,638,000 has been provided for the reinstatement costs of premises leased by the Company. The reinstatement costs are based on advice provided by Jones Lang LaSalle and Morgan Pepper who are acting as joint Estate Agents for the vacated property.

There is currently a litigation against the Company for an employee related matter, and an amount has been provided for against settlement.

In addition, an amount of £83,000 has been provided for the anniversary awards due to long serving employees of the Company.

12 CALLED UP SHARE CAPITAL

	2007	2006
	£000	£000
Authorised		
77,980,168 Ordinary shares of £1 each	77,980	47,980
	<u>77,980</u>	<u>47,980</u>
Allotted and fully paid		
77,980,168 Ordinary shares of £1 each	77,980	47,980
	<u>77,980</u>	<u>47,980</u>

During the year the authorised share capital of the Company was increased to 77,980,168 £1 ordinary shares. The Company issued 30,000,000 ordinary shares of £1 each to its parent undertaking at par.

UBS Global Asset Management Holding Ltd

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£000	£000
(Loss)/Profit for the year	(2,583)	8,105
New Share Capital	30,000	15,000
Dividends paid to group undertaking	–	(5,000)
Net increase in shareholders' funds for the year	27,417	18,105
Opening shareholders' funds	55,411	37,306
Closing shareholders' funds	82,828	55,411

14. SHARE BASED PAYMENTS

Equity Plus (EP)

This voluntary plan gives eligible employees the opportunity to purchase UBS shares at fair market value on the purchase date and receive at no additional cost two UBS options for each share purchased, up to a maximum annual limit. The options have a strike price equal to the fair market value of the stock on the date the option is granted. Share purchases can be made annually from bonus compensation or quarterly based on deductions from salary. Shares purchased under Equity Plus are restricted from sale for two years from the time of purchase, and the options granted have a two year vesting requirement and generally expire from ten years to ten and one-half years after the date of grant.

Equity Ownership Plan (EOP)

Selected personnel receive between 10% and 45% of their performance-related compensation in UBS shares or notional UBS shares instead of cash, on a mandatory basis. Up to and including 2004, participants in certain countries were eligible to receive a portion of their award in UBS shares with a matching contribution in UBS share options or in Alternative Investment vehicles (AIVs) (generally money market funds, UBS and non-UBS mutual funds and other UBS sponsored funds). In 2002 and 2003, certain employees received UBS options instead of UBS shares for a portion of their EOP award. EOP awards vest in one-third increments over a three-year vesting period. Under certain conditions, these awards are fully forfeitable by the employee.

Key Employee Option Plan

Under these plans, key and high potential employees are granted UBS options with a strike price not less than the fair market value of the shares on the date the option is granted. Option grants generally vest in one-third increments over a three-year period. Expiration of the options is generally from ten to ten and one-half years. One option gives the right to purchase one registered UBS share at the option's strike price.

Other deferred compensation plans

UBS sponsors other deferred compensation plans for selected eligible employees. Generally, contributions are made on a tax deferred basis, and participants are allowed to notionally invest in AIVs. No additional company match is granted, and the plan is generally not forfeitable. In addition, UBS also grants deferred compensation awards to new recruits, senior management and other key employees in the form of UBS shares or options.

UBS Global Asset Management Holding Ltd

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

14. SHARE BASED PAYMENTS (CONTINUED)

Details of share options outstanding during the year are as follows

	2007 Number of Share options '000	2007 Weighted average exercise price (pence)	2006 Number of Share options 000	2006 Weighted average exercise price (pence)
Outstanding at beginning of year	4,120	3088	1,687	5555
Granted during the year	1,005	2964	2,601	3564
Forfeited during the year	(84)	2728	(42)	3520
Exercise during the year	(495)	2968	(255)	4378
Expired during the year	(2)	2525	–	–
Transfers	(265)	3088	129	5555
Outstanding at the end of the year	4,279	2327	4,120	3088
Exercisable at the end of the year	1,968	3003	1,513	6093

The weighted average share price at the date of exercise for options exercised during the year was 2968p (2006 4378p) The options outstanding at 31st December 2007 have an exercise price of between 2317p and 2328p (2006 3082p and 3102p), and a weighted average remaining contractual life of 7 years (2006 7 years)

The Company recognised total expenses of £13,406,000 (2006 £7,699,000) related to equity-settled share-based payment transactions

15. LEASE COMMITMENTS

Payments committed to be made in the next year under operating leases analysed according to the period after 31 December 2007 in which the commitments are due to expire are as under

	2007 £000	2006 £000
Land and buildings		
In the second to fifth years inclusive	5,899	6,211
Other operating leases		
Within the next year	–	5
In the second to fifth years inclusive	3	16

16. 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 eligible UBS employees within the UK are, or can be, members of the scheme and disclosures of the Scheme are made within UBS Group's financial statements

Under the 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 exemptions set out in FRS 17, it accounts for the contributions to the scheme as if it were a defined contribution scheme

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

16. PENSIONS (CONTINUED)

The Company has also made contributions during 2007 to the Union Bank of Switzerland Supplementary Pension Plan

The total pension cost for the Company was £1,442,000 (2006 - £968,000), all of which related to the schemes outlined above. No contributions were outstanding relating to these schemes as at 31 December 2007 (2006 - nil)

17. RELATED PARTY TRANSACTIONS

No disclosure has been made of transactions with other group companies, 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 2006 or 2007.

18. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 31 December 2007, all of which are engaged in investment management, advisory and related services, are shown below. All subsidiary undertakings are registered in England and Wales and operate in the United Kingdom.

UBS Global Asset Management (UK) Ltd, whose subsidiaries are UBS Infrastructure Fund GP UK Ltd, Halifax Westgate No 1 Ltd, Halifax Westgate No 2 Ltd, Princess House (One) Ltd, Princess House (Two) Ltd, Ampress Park Management Ltd, UBS Global (Wrexham) One Ltd, UBS Global (Wrexham) Two Ltd and SERF Holding Limited whose subsidiaries are SERF No 1 Limited and SERF No 2 Limited

UBS Global Asset Management Funds Ltd
Dillon Read Capital Management (UK) Ltd
Phildrew Nominees Limited
UBS Global Asset Management Client Services Ltd
UBS Global Asset Management (Jersey) Ltd
UBS Global Asset Management Life Ltd
UBS Global (Yeovil) Ltd

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

19. 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 and controlling party 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.