

2251850

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

Report and Financial Statements

31 December 2002



UBS Global Asset Management Holding Ltd

Registered No. 2251850

DIRECTORS

G M Clarke
C H V Collins
D J Jacob
T P Madsen
M N McKell
M W Pavey
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

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

RESULTS AND DIVIDENDS

During the year the company made a loss after taxation of £94,000. 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.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

M G Boylan (resigned 19 September 2002)
G M Clarke
C H V Collins
M A Humphries (appointed 7 January 2002, resigned 9 September 2002)
D J Jacob (appointed 9 September 2002)
T P Madsen
M W Pavey
M Porter (resigned 10 January 2003)
M T Stemp
P T Yates

Director appointed since year end:

M N McKell (appointed 10 January 2003)

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.

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 2002, the company had an average of 8 days' purchases outstanding in trade creditors.

CHARITABLE DONATIONS

During the year the company made various charitable donations totalling £10,000.

DIRECTORS' REPORT

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

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

28 March 2003

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

We have audited the company's financial statements for the year ended 31 December 2002 which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 19. 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 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

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London
28 March 2003

UBS Global Asset Management Holding Ltd

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	<i>Notes</i>	<i>2002</i> £000	<i>2001</i> £000
TURNOVER	2	82,089	31,877
Administrative expenses		(83,169)	(32,949)
Other operating income		337	1,138
OPERATING (LOSS)/PROFIT		(743)	66
Interest payable and similar charges	3	–	(66)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(743)	–
Taxation on (loss)/profit on ordinary activities	7	649	2,486
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(94)	2,486
BALANCE BROUGHT FORWARD		13,412	10,926
BALANCE CARRIED FORWARD		13,318	13,412

There were no recognised gains or losses in 2002 and 2001 other than those reflected in the profit and loss account for each year.

UBS Global Asset Management Holding Ltd

BALANCE SHEET at 31 December 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Tangible	8	1,838	1,440
Investments	9	25,490	25,490
CURRENT ASSETS		27,328	26,930
Debtors: amounts falling due within one year	10	34,537	123,715
Cash at bank		1	7,798
CREDITORS: amounts falling due within one year	11	34,538 (31,199)	131,513 (125,728)
NET CURRENT LIABILITIES		3,339	(5,785)
TOTAL ASSETS LESS CURRENT LIABILITIES		30,667	32,715
Provisions for liabilities and other charges	12	(9,369)	(11,323)
NET ASSETS		21,298	21,392
CAPITAL AND RESERVES			
Called up share capital	13	7,980	7,980
Profit and loss account		13,318	13,412
EQUITY SHAREHOLDERS' FUNDS	14	21,298	21,392

Approved by the Board of Directors on 28 March 2003 and signed on its behalf by:



P T Yates



M N McKell

Directors

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

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

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits in the future against which the asset can be offset.

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.

The group has adopted FRS 19 'Deferred Tax', which has resulted in a change in accounting policy. Deferred tax is recognised on a full provision basis in accordance with the revised policy described above. Previously, deferred tax was provided for on a partial provision basis, with provision being made on all timing differences to the extent that they were expected to reverse in the foreseeable future. This has no material impact on the results for previous periods.

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).

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

2. **TURNOVER**

	2002	2001
	£000	£000
Expenses recharged to subsidiary undertakings	82,089	31,877

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

3. **INTEREST PAYABLE AND SIMILAR CHARGES**

	2002	2001
	£000	£000
Interest payable on overdrafts and bank loans	—	1
Interest payable on other loans	—	65
	—	66

4. **(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

This is stated after charging:

	2002	2001
	£000	£000
Depreciation	1,199	3,207
Auditors' remuneration	15	11
	—	—
Operating lease rentals	69	68
	5,665	3,556
Onerous lease costs	3,398	11,597

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

5. DIRECTORS AND EMPLOYEES

	2002	2001
	No.	No.
Average number of employees during the year, including directors	489	143
	<u> </u>	<u> </u>
	2002	2001
	£000	£000
Employee costs:		
Wages and salaries	45,844	7,708
Social security costs	4,629	773
Pension costs	470	158
	<u>50,943</u>	<u>8,639</u>
	<u> </u>	<u> </u>
	2002	2001
	£000	£000
Emoluments of directors		
Directors' aggregate emoluments in respect of management services to the company	99	202
	<u> </u>	<u> </u>
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.		
	2002	2001
	£000	£000
Highest paid director		
Aggregate emoluments	53	122
Defined benefit pension scheme:		
Accrued pension at the end of year	6	17
	<u> </u>	<u> </u>

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.

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

7. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2002 £000	2001 £000
The credit for taxation comprises:		
Corporation tax at 30% (2001 – 30%)	649	1,736
Overprovision in prior periods	–	750
	<u>649</u>	<u>2,486</u>
Factors affecting current tax charge for the year		
	2002 £000	2001 £000
(Loss)/profit on ordinary activities before tax	(743)	–
Current tax credit at standard UK corporation tax rate of 30% (2001:30%)	223	–
Disallowable expenses	223	2,108
Capital allowances for year in excess of depreciation	203	(372)
Overprovision in prior periods	–	750
	<u>649</u>	<u>2,486</u>

8. TANGIBLE ASSETS

	Computer Equipment £000	Office fittings £000	Leasehold improvements £000	Total £000
Cost:				
At 1 January 2002	2,815	2,741	666	6,222
Additions	1,642	91	–	1,733
Disposals	–	(485)	–	(485)
At 31 December 2002	<u>4,457</u>	<u>2,347</u>	<u>666</u>	<u>7,470</u>
Depreciation:				
At 1 January 2002	2,090	2,083	609	4,782
Charge in year	1,017	182	–	1,199
Disposals	–	(349)	–	(349)
At 31 December 2002	<u>3,107</u>	<u>1,916</u>	<u>609</u>	<u>5,632</u>
Net book amount at 31 December 2002	<u>1,350</u>	<u>431</u>	<u>57</u>	<u>1,838</u>
31 December 2001	<u>725</u>	<u>658</u>	<u>57</u>	<u>1,440</u>

UBS Global Asset Management Holding Ltd

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2002

9. INVESTMENTS

	2002	2001
	£000	£000
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
	<u>25,490</u>	<u>25,490</u>

10. DEBTORS

	2002	2001
	£000	£000
Due within one year:		
Amounts owed by group undertakings	22,486	120,280
Taxation and social security	9,199	—
Other debtors	1,441	1,914
Prepayments and accrued income	1,411	1,521
	<u>34,537</u>	<u>123,715</u>

11. CREDITORS: amounts falling due within one year

	2002	2001
	£000	£000
Bank loans and overdrafts	201	—
Amounts owed to group undertakings	3,367	93,716
Trade creditors	628	1,400
Taxation and social security	—	3,129
Other creditors	—	2,014
Accruals and deferred income	27,003	25,469
	<u>31,199</u>	<u>125,728</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

12. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	2002	2001
	£000	£000
Provisions at 1 January	11,323	3,565
Additions	3,398	11,597
Amounts utilised	(5,352)	(3,839)
Provisions at 31 December	9,369	11,323

At 31 December 2002 an amount of £9,369,000 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 and Morgan Pepper who are acting as joint Estate Agents for the vacated property.

13. CALLED UP SHARE CAPITAL

	2002	2001
	£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	7,980	7,980

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£000	£000
(Loss)/Profit for the year	(94)	2,486
Net (decrease)/increase in shareholders' funds for the year	(94)	2,486
Opening shareholders' funds	21,392	18,906
Closing shareholders' funds	21,298	21,392

15. LEASE COMMITMENTS

Payments committed to be made in the next year under operating leases analysed according to the period after 31 December 2002 in which the commitments are due to expire are as under:

	2002	2001
	£000	£000
Land and buildings:		
Over 5 years	8,407	8,433
Other operating leases:		
Within the next year	—	12
In the second to fifth years inclusive	81	46

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2002

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 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 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.

The company has also made contributions during 2002 to the Union Bank of Switzerland Supplementary Pension Plan.

The total pension cost for the company was £470,000 (2001 - £158,000), all of which related to the schemes outlined above. No contributions were outstanding relating to these schemes as at 31st December 2002 (2001 - £376,000).

17. 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 2002 or 2001.

18. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the company at 31 December 2002, 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 Wales and operate in the United Kingdom, with the exception of UBS Global Asset Management (Jersey) Ltd, which operates in Jersey.

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

*UBS Global Asset Management International Ltd.

*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.

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.