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UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

Report and Financial Statements

31 December 2012

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# UBS Global Asset Management Holding Ltd

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Registered No 2251850

## **DIRECTORS**

I Barnes  
R Beechey  
P Schmidt

## **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

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## DIRECTORS' REPORT

The Directors present their report and the audited financial statements of UBS Global Asset Management Holding Ltd (the "Company") for the year ended 31 December 2012

### RESULTS AND DIVIDENDS

During the year the Company made a profit after taxation of £2,035,000 (2011 – loss of £5,797,000) During the year no dividend was paid (2011 – £ nil) The Directors do not recommend payment of a final dividend (2011 – £ nil)

### PRINCIPAL ACTIVITY

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 s400 of the Companies Act 2006

### GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within this report The financial position of the Company and its liquidity position are reflected on the balance sheet The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

### 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 The principal risks and uncertainties can be summarised as

#### Operational

Management of operational risk, defined as risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, is becoming a key measure used by regulators to assess regulatory capital and risk monitoring programmes The Company has in place a risk management and control framework which comprises qualitative elements such as policies and authorities, and quantitative components including risk measurement and limits The Management Committee sets the overall risk appetite for the Company Risk exposure is monitored against the set risk appetite on an ongoing basis through risk reporting and escalation process to the Management Committee An assessment and review of the risk appetite methodologies and statements is made at a minimum on an annual basis

#### Market

The Company does not enter into proprietary trading positions The majority of the market risk relates to foreign exchange exposure stemming from fees accrued or billed in currencies which are not pound sterling denominated The firm has limited appetite for market risk and seeks to minimise this by having an efficient process around payments of fees

#### Credit

The primary credit risk faced by the Company is based on its obligation to hold a certain amount of cash to cover its business needs and that in relation to fee debtors

This cash is deposited with a spread of highly rated banks in order to divest counterparty risk and limits on the amount that can be deposited with any single bank are in place The risk on fee related debtors is controlled by having an efficient process around payments of fees, specifically to ensure fees are paid timely

As a wholly-owned subsidiary of UBS AG, the Company operates in line with UBS AG group policies, including environmental and ethical standards

## DIRECTORS' REPORT (CONTINUED)

### KEY PERFORMANCE INDICATORS

The results of UBS Global Asset Management Holdings (No 2) Limited and its subsidiaries ("the Group") are managed on a group and business stream basis. Business streams do not correspond directly with individual legal entities, and consequently key performance indicators are not set for individual companies. The parent company (UBS AG) 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 end.

### 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 AG 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 Internal Capital Adequacy Assessment (ICAAP) report for the Group was submitted to the FSA (Financial Conduct Authority, as of 1 April 2013) during May 2012.

### DIRECTORS

The Directors who served during the year were as follows

I Barnes (appointed 2 May 2012)  
R Beechey (resigned 3 February 2012, reappointed 25 October 2012)  
H Chauhan (appointed 19 March 2012, resigned 25 October 2012)  
J Nestor (resigned 19 March 2012)  
P Schmidt

### 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 2012, the Company had an average of 22 days (2011 – 58 days) purchases outstanding in trade creditors.

### CHARITABLE DONATIONS

During the year the Company made charitable donations of £56,000 (2011 - £2,000).

### 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.

DIRECTORS' REPORT (CONTINUED)

**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the Directors at the date of approval of this Report and Audited Financial Statements have confirmed that

- so far as he/she is aware, there was no relevant audit information of which the Auditors were unaware, and
- he/she has taken all the steps necessary as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Auditors have been made aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

**RE-APPOINTMENT OF AUDITORS**

The auditors will be reappointed at the end of their term under s487 of the Companies Act 2006

By order of the board

A handwritten signature in black ink, appearing to be 'R. Beechey', with a horizontal line extending to the right.

R Beechey  
Company Secretary

9 April 2013

## UBS Global Asset Management Holding Ltd

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 financial statements of UBS Global Asset Management Holding Ltd for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- Give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- The financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit

*Ernst & Young LLP*

Susan Dawe (Senior statutory auditor)

For and on behalf of Ernst & Young LLP Statutory Auditor

London

9 April 2013



# UBS Global Asset Management Holding Ltd

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2012

		2012	2011
	Notes	£000	£000
<b>TURNOVER</b>	2	115,350	129,674
Administrative expenses		(118,171)	(131,960)
Other operating income		2,819	2,284
<b>OPERATING LOSS</b>	3	(2)	(2)
Bank interest receivable		1	2
Loss on financial investment		(2,813)	-
Dividends received from group undertaking		1,136	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,678)	-
Taxation on ordinary activities	6	3,713	(5,797)
<b>RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION</b>		2,035	(5,797)

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 2012 or 2011 other than those reflected in the profit and loss for each year

The notes on pages 10 to 18 form an integral part of these financial statements

**BALANCE SHEET**  
 at 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>£000</i>	<i>2011</i> <i>£000</i>
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	1,959	3,015
Investments	8	172,729	180,092
		<u>174,688</u>	<u>183,107</u>
<b>CURRENT ASSETS</b>			
Investments	8	4,331	-
Debtors	9	14,057	16,177
Cash at bank		117	361
		<u>18,505</u>	<u>16,538</u>
<b>CREDITORS: amounts falling due within one year</b>	10	(47,893)	(56,252)
<b>NET CURRENT LIABILITIES</b>		<u>(29,388)</u>	<u>(39,714)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>145,300</u>	<u>143,393</u>
Provisions for liabilities and other charges	11	(5,000)	(5,128)
<b>NET ASSETS</b>		<u>140,300</u>	<u>138,265</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	151,380	151,380
Profit and loss account		(11,080)	(13,115)
<b>EQUITY SHAREHOLDERS FUNDS</b>	13	<u>140,300</u>	<u>138,265</u>

Approved and authorised for issue by the Board of Directors on 9 April 2013 and signed on its behalf by



P. Schmidt



I. Barnes

Directors

The notes on pages 10 to 18 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2012

1. ACCOUNTING POLICIES

*Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles (UK GAAP). The Company does not publish consolidated financial statements, being exempt from this requirement under s400 of the Companies Act 2006.

*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. Tax charges and credits attributable to exchange differences on those borrowings are also accounted for 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 < CHF 20k	Written off on acquisition
Computer software > CHF 20k	60 months
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 cost less impairment.

*Operating leases*

Rentals under operating leases are charged against income as incurred.

*Pensions*

The UBS Group 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 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:

- 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.

# UBS Global Asset Management Holding Ltd

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 1 ACCOUNTING POLICIES (CONTINUED)

#### *Deferred taxation (continued)*

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

#### *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 2008)

#### *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 performance 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

	2012 £000	2011 £000
Expenses recharged to subsidiary undertakings	115,350	129,674

Turnover is primarily from activities based in the United Kingdom

### 3. OPERATING (LOSS)/PROFIT

This is stated after charging

	2012 £000	2011 £000
Depreciation	860	1,109
Auditors' remuneration - audit fees	12	12
Operating lease rentals - land and buildings	3,677	4,245

### 4. DIRECTORS AND EMPLOYEES

	2012 No	2011 No
Monthly average number of employees during the year, including directors, categorised as follows		
Performance management	221	238
Logistics and IT	127	127
Business management and support	38	42
Total	386	407

# UBS Global Asset Management Holding Ltd

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 4. DIRECTORS AND EMPLOYEES (CONTINUED)

	2012 £000	2011 £000
Employee costs		
Wages and salaries	49,817	49,766
Social security costs	8,619	7,710
Pension costs	6,793	8,499
	<u>65,229</u>	<u>65,975</u>

Directors' emoluments are payable by another company of the 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.

	2012 £000	2011 £000
Emoluments of directors		
Aggregate emoluments in respect of qualifying services to companies of the UBS Global Asset Management Group	787	691
Compensation for loss of office	-	47

	2012 No	2011 No
Directors to whom benefits are accrued under defined benefit schemes	3	1
Directors to whom benefits are accrued under defined contribution schemes	3	2

	2012 £000	2011 £000
Highest paid director		
Aggregate emoluments	400	291
Defined benefit pension scheme		
Accrued pension at the end of the year	2	7

### 5. TRANSACTIONS WITH DIRECTORS AND CONNECTED PERSONS

Directors are entitled to deal in securities with UBS AG group companies in accordance with the UBS AG 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 2012

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

**(a) Taxation on profit on ordinary activities**

The (credit) / charge for taxation comprises

	2012 £000	2011 £000
UK corporation tax		
Current year	4,333	6,173
Prior year	(406)	(376)
Total current tax charge	3,927	5,797
Deferred tax		
Originating and reversal of timing differences	(7,640)	-
Total deferred tax for year	(7,640)	-
Tax on (loss) / profit on ordinary activities	(3,713)	5,797

**b) Factors affecting current tax (credit) / charge for the year**

The current tax charge for the period differs from the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below

	2012 £000	2011 £000
(Loss) / Profit on ordinary activities before tax	(1,678)	-
Current tax credit at standard UK corporation tax rate of 24.5% (2011 – 26.5%)	(411)	-
Net (income) / expenses not recognised for tax purposes	2,768	6,300
Transfer pricing adjustment	1,393	-
(Capital allowances in excess of depreciation)/depreciation in excess of capital allowances	(106)	(127)
Loss on disposal of subsidiary	525	-
Loss on impairment of subsidiary	164	-
Prior year adjustment	(406)	(376)
Current tax charge for the year	3,927	5,797

**(c) Deferred tax asset**

	2012 £000	2011 £000
Provision at start of period	-	-
Other timing differences	7,640	-
Provision at end of period (Note 9)	7,640	-

# UBS Global Asset Management Holding Ltd

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

#### (d) Tax legislation changes

Legislation was introduced in Finance Act 2012 to reduce the UK corporation tax rate from 24% to 23% with effect from 1 April 2013. Accordingly, this rate has been applied in the measurement of the Company's deferred tax asset as at 31 December 2012. In addition, the UK Government has announced its intention to further reduce the UK corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. Since these rates have not been substantively enacted at the balance sheet date they are not reflected in the closing deferred tax balances. The impact of the proposed reduction from 23% to 20% would reduce the deferred tax asset by approximately £1m.

### 7. TANGIBLE FIXED ASSETS

	<i>Computer Equipment</i>	<i>Office fittings</i>	<i>Leasehold improvements</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost				
At 1 January 2012	13,670	1,848	11,718	27,236
Additions	17	-	-	17
Disposal	(27)	(405)	(632)	(1,064)
At 31 December 2012	13,660	1,443	11,086	26,189
Depreciation				
At 1 January 2012	12,599	1,848	9,774	24,221
Charge in year	407	-	452	859
Disposal	164	(405)	(609)	(850)
At 31 December 2012	13,170	1,443	9,617	24,230
Net book amount at 31 December 2012	490	-	1,469	1,959
1 January 2012	1,071	-	1,944	3,015

### 8. INVESTMENTS

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Shares in subsidiary undertakings at cost		
UBS Global Asset Management (UK) Ltd	131,517	131,517
UBS Global Asset Management Funds Ltd	26,212	26,212
Dillon Read Capital Management (UK) Ltd	-	2,363
UBS Global Asset Management Client Services Ltd	4,331	5,000
UBS Global Asset Management Life Ltd	15,000	15,000
	177,060	180,092

Dillon Read Capital Management (UK) Ltd was dissolved on 15 February 2012. The Company recognised a loss on dissolution of £2,144,000.

# UBS Global Asset Management Holding Ltd

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 8. INVESTMENTS (CONTINUED)

The investment in UBS Global Asset Management Client Services Ltd has been classified as a current asset at the year ended 31 December 2012 (2011 fixed asset) as the financial statements are being prepared on a break up basis with realisation expected during 2013. The investment in UBS Global Asset Management Client Services Ltd has been subject to impairment during the year of £669,000 (2011 £Nil)

### 9. DEBTORS

	2012 £000	2011 £000
Amounts owed by group undertakings	1,333	11,177
Prepayments and accrued income	3,303	2,750
Taxation	1,781	2,250
Deferred tax asset	7,640	-
	<u>14,057</u>	<u>16,177</u>

### 10. CREDITORS amounts falling due within one year

	2012 £000	2011 £000
		<i>Reclassified</i>
Amounts owed to group undertakings	9,759	23,908
Accruals and deferred income	35,023	32,344
Taxation	3,111	-
	<u>47,893</u>	<u>56,252</u>

Certain prior year comparatives have been reclassified to conform to current year presentation

### 11. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	2012 £000	2011 £000
Provisions at 1 January	5,128	5,357
Additions	450	578
Utilised	(578)	(807)
Provisions at 31 December	<u>5,000</u>	<u>5,128</u>

At 31 December 2012 an amount of £4,520,000 (2011 - £4,520,000) has been provided for the reinstatement costs of premises leased by the Company. The reinstatement costs are based on advice provided by Jones Laing LaSalle and Morgan Pepper who are acting as joint Estate Agents for the vacated property.

An amount of £40,000 (2011 - £30,000) has been provided for the anniversary awards due to long serving employees of the Company.

An amount of £440,000 (2011 - £578,000) has been provided for severance costs.



# UBS Global Asset Management Holding Ltd

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 12. CALLED UP SHARE CAPITAL

	2012 £000	2011 £000
Authorised 151,380,168 Ordinary shares of £1 each	151,380	151,380
Allotted and fully paid 151,380,168 Ordinary shares of £1 each	151,380	151,380

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £000	2011 £000
Profit / (Loss) for the year	2,035	(5,797)
Net increase / (decrease) in shareholders' funds for the year	2,035	(5,797)
Opening shareholders' funds	138,265	144,062
Closing shareholders' funds	140,300	138,265

### 14. SHARE BASED PAYMENTS

#### *UBS Global Asset Management Deferral Plans*

Over a certain total compensation threshold, employees' variable compensation is subject to mandatory deferral. UBS Global Asset Management has two main deferral plans: the UBS Global Asset Management Equity Ownership Plan (Global AM EOP) and the Deferred Contingent Capital Plan (DCCP). Employees whose total compensation is above the defined threshold receive 75% of their deferred compensation in Global AM EOP and 25% in the DCCP. Global AM EOP vests over five years with one third of the award vesting in year two, one third in year three and one third in year five. Through the Global AM EOP, awards are made in vehicles aligned to selected UBS Global Asset Management funds (Notional Funds, previously known as Alternative Investment Vehicles or AIVs). The balance of the amount deferred (25%) is awarded in the DCCP which represent a contingent right to receive cash at vesting. Awards are deferred over five years and cliff vest at the end of the five year deferral period.

#### *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, one free notional UBS share for every three shares purchased, up to a maximum annual limit. Share purchases can be made annually from bonus compensation or monthly based on deductions from salary. Shares purchased under Equity Plus are restricted from sale for two years from the time of purchase.

#### *Other deferred compensation plans*

UBS also grants deferred compensation awards to replace forfeited awards on joining UBS to new recruits in the form of AIVs or UBS shares or notional shares.

# UBS Global Asset Management Holding Ltd

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 14 SHARE BASED PAYMENTS (CONTINUED)

Details of share options outstanding during the year are as follows

	2012 Number of Share options '000	2012 Weighted average exercise price (pence)	2011 Number of Share options '000	2011 Weighted average exercise price (pence)
Outstanding at beginning of year	4,368	923	4,846	1055
Granted during the year	-	-	-	-
Forfeited during the year	7	800	(50)	923
Exercise during the year	(107)	897	-	-
Expired during the year	(410)	686	(233)	1047
Transfers	(92)	923	(195)	1055
Outstanding at the end of the year	3,766	875	4,368	923
Exercisable at the end of the year	3,766	790	3,166	1,184

The weighted average share price at the date of exercise for options exercised during the year was 897p (2011 nil). The options outstanding at 31 December 2012 have an exercise price of between 790p and 960p (2010 768p and 1078p), and a weighted average remaining contractual life of 4 years (2011 5 years).

The Company recognised total expenses of £17,091,000 (2011 £23,673,000) all of which 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 2012 in which the commitments are due to expire are as under

	2012 £000	2011 £000
Land and buildings In the second to fifth years inclusive	3,677	4,245

### 16. PENSIONS

The Company operates both a hybrid scheme with defined benefit and defined contribution sections, UBS (UK) Pension & Life Assurance Scheme, and a pure defined contribution scheme, known as the UBS (UK) Voluntary Pension Scheme. 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.

The total pension cost for the Company was £6,793,000 (2011 - £8,499,000) all of which related to the schemes outlined above. No contributions were outstanding relating to these schemes as at 31 December 2012 (2011- £nil).

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**17. RELATED PARTY TRANSACTIONS**

No disclosure has been made of transactions with other UBS 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 2012 or 2011.

**18. SUBSIDIARY UNDERTAKINGS**

The subsidiary undertakings of the Company at 31 December 2012, 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, apart from one which is registered in Italy.

UBS Global Asset Management (UK) Ltd, whose subsidiaries are UBS Global Asset Management (Italia) S r l, UBS Infrastructure Fund GP UK Ltd, Ampress Park Management Ltd, CLOVA Holding Limited, whose subsidiaries are CLOVA No 1 Limited and CLOVA No 2 Limited, and Triton Holdco Limited, whose subsidiaries are Triton Nominee 1 Limited and Triton Nominee 2 Limited.

UBS Global Asset Management Funds Ltd  
Phildrew Nominees Limited  
UBS Global Asset Management Client Services Ltd  
UBS Global Asset Management (Jersey) Ltd  
UBS Global Asset Management Life Ltd

**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.