

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

Report and Financial Statements

For the year ended 31 December 2014

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COMPANIES HOUSE

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

Registered No. 2251850

DIRECTORS

I. Barnes
R. Beechey
E. Bennett

SECRETARY

R. Beechey

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED OFFICE

21 Lombard Street
London
EC3V 9AH

STRATEGIC REPORT

The Directors present their strategic report of UBS Global Asset Management Holding Ltd (the "Company") for the year ended 31 December 2014.

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 Directors assessed the implications of the Basel III 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 Financial Conduct Authority (the "FCA") during May 2014.

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

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market risk for the Company comprises two types of risks: foreign exchange risk, and interest rate risk. The Company does not enter into proprietary trading positions.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's main exposure stems 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, and ensuring settlement occurs on a regular basis.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Company is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Company might be affected by the impact of interest rate changes on the earnings of certain investments in which the Company will invest.

STRATEGIC REPORT (CONTINUED)

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 in a segregated client account with a custodian. Balances are categorised into overnight, one month, three month and six month tranches. Each progressive tranche automatically earns incremental value without locking balances to term or actively investing. 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.

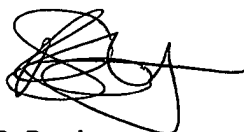
KEY PERFORMANCE INDICATORS

The results of UBS Global Asset Management Holding (No.2) Ltd 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.

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.

By order of the board



R. Beechey

Director

28 April 2015

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 2014.

RESULTS AND DIVIDENDS

During the year the Company made a loss after taxation of £191,000 (2013 – £462,000). During the year no dividend was paid (2013 – £ nil). The Directors do not recommend payment of a final dividend (2013 – £ nil).

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.

DIRECTORS

The Directors who served during the year were as follows:

I. Barnes	
R. Beechey	
E. Bennett	(appointed 7 January 2015)
P. Schmidt	(resigned 9 May 2014)

INSURANCE OF DIRECTORS

UBS AG, the immediate parent company, maintains a third party indemnity provision in favour of one or more of its Directors against liability in respect of proceedings brought by third parties. This is for its Directors in respect of their duties as Directors of the Company.

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 2014, the Company had an average of 104 days (2013 – 51 days) purchases outstanding in trade creditors.

CHARITABLE DONATIONS

During the year the Company made charitable donations of £432 (2013 - £25,000).

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's human resource policies and processes have global coverage and outline its commitment to a non-discriminating, harassment-free workplace with equal opportunities for all employees.

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 (or following the exchange offer, UBS Group 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 has 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



R. Beechey
Director

28 April 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, 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 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 20. 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 (GAAP)).

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 6, 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 Strategic Report and 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 2014 and of its loss 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

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.

Susan Dawe

Susan Dawe (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

28 April 2015

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2014

		2014	2013
	Notes	£000	£000
TURNOVER	2	103,092	120,615
Administrative expenses		(106,402)	(123,791)
Other operating income		2,322	2,458
OPERATING LOSS	3	(988)	(718)
Bank interest receivable		5	1
Interest payable and similar charges	4	982	-
Loss on financial investment	9	-	(1)
Dividends received from group undertaking		1,045	718
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,044	-
Taxation on profit on ordinary activities	7	(1,235)	(462)
RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		(191)	(462)

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 2014 or 2013 other than those reflected in the profit and loss for each year.

The notes on pages 11 to 23 form an integral part of these financial statements.

BALANCE SHEET
 at 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>£000</i>	<i>2013</i> <i>£000</i>
FIXED ASSETS			
Tangible fixed assets	8	1,896	1,467
Investments	9	172,729	172,729
		<u>174,625</u>	<u>174,196</u>
CURRENT ASSETS			
Investments	9	4,330	4,330
Debtors	10	17,267	18,127
Cash at bank		124	-
		<u>21,721</u>	<u>22,457</u>
CREDITORS: amounts falling due within one year	11	(53,656)	(52,234)
NET CURRENT LIABILITIES		<u>(31,935)</u>	<u>(29,777)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>142,690</u>	<u>144,419</u>
Provisions for liabilities and other charges	12	(3,043)	(4,581)
NET ASSETS		<u>139,647</u>	<u>139,838</u>
CAPITAL AND RESERVES			
Called up share capital	13	151,380	151,380
Profit and loss account		(11,733)	(11,542)
EQUITY SHAREHOLDERS FUNDS	14	<u>139,647</u>	<u>139,838</u>

Approved and authorised for issue by the Board of Directors on 28 April 2015 and signed on its behalf by:



R. Beechey



I. Barnes

Directors

The notes on pages 11 to 23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

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 Practice (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.

Interest Income

Interest income on cash balances is recognised on an accrual basis.

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.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Pensions

The UBS Group operates a defined benefit scheme and a defined contribution scheme. All defined benefit accruals in the UK ceased from 1 July 2013. 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 (CONTINUED)

for the year ended 31 December 2014

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:

- 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 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 its results are 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).

Equity participation plans

UBS provides various equity participation plans in the form of share plans and share option plans as detailed in Note 15. UBS recognises the fair value of share and share option awards determined at the date of grant as compensation expense over the period during which the employee is required to provide services in order to earn the award. The fair value of share awards is equal to the market price at the date of grant. For share 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.

Equity-settled awards are classified as equity instruments and are not re-measured subsequent to the grant date, unless an award is modified such that its fair value immediately after modification exceeds its fair value immediately prior to modification. Any increase in fair value resulting from a modification is recognised as compensation expense, either over the remaining service period or immediately for vested awards.

Cash settled awards are classified as liabilities and re-measured to fair value at each balance sheet date as long as they are outstanding. Decreases in fair value reduce compensation expense, and no compensation expense, on a cumulative basis, is recognised for awards that expire worthless or remain unexercised. Plans where participants have the option to roll share-based awards into alternative investments are treated as cash settled.

2. TURNOVER

	2014	2013
	£000	£000
Expenses recharged to subsidiary undertakings	103,092	120,615

Turnover is earned primarily from activities based in the United Kingdom.

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

3. OPERATING LOSS

This is stated after charging:

	2014	2013
	£000	£000
Depreciation	510	535
Auditors' remuneration - audit fees	12	12
Operating lease rentals - land and buildings	2,827	3,674

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£000	£000
Release of overcharged provision for reinstatement costs	(1,537)	-
Interest payable on discounting of provision	555	-

During the year the Company has made a revision to the reinstatement costs of properties leased by the Company, based on an assessment of its present value, which has resulted in a release to the profit and loss statement of £1,537,000 (2013: £nil). In the same period the Company has realised an interest charge relating to the discounted value of the provision from inception (1 April 2006) to 31 December 2014. This has resulted in a charge to the profit and loss statement of £555,000 (2013: £nil). The net impact is a credit to the profit and loss account.

5. DIRECTORS AND EMPLOYEES

	2014	2013
	No.	No.
Monthly average number of employees during the year, including Directors, categorised as follows:		
Performance management	224	226
Logistics and IT	111	116
Business management and support	32	35
Total	367	377

	2014	2013
	£000	£000
Employee costs:		
Wages and salaries	51,838	52,348
Social security costs	7,354	9,046
Pension costs	12,424	15,477
	71,616	76,871

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.

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

5. DIRECTORS AND EMPLOYEES (CONTINUED)

	2014 £000	2013 £000
Emoluments of Directors		
Aggregate emoluments in respect of qualifying services to companies of the UBS Global Asset Management Group	818	1,019
	<u> </u>	<u> </u>
	2014 No.	2013 No.
Directors to whom benefits are accrued under defined benefit schemes	1	1
Directors to whom benefits are accrued under defined contribution schemes	2	2
	<u> </u>	<u> </u>
	2014 £000	2013 £000
Highest paid Director		
Aggregate emoluments	552	600
Defined benefit pension scheme:		
Accrued pension at the end of the year	1	2
	<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 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.

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Taxation on profit on ordinary activities

The charge / (credit) for taxation comprises:

	2014 £000	2013 £000
UK corporation tax:		
Current year	468	1,545
Prior year	(770)	(407)
Total current tax (credit) / charge	<u>(302)</u>	<u>1,138</u>
	2014 £000	2013 £000
Deferred tax:		
Originating and reversal of timing differences	1,386	(824)
Adjustments to prior years	151	148
Total deferred tax charge / (credit) for year	<u>1,537</u>	<u>(676)</u>
Tax charge on ordinary activities	<u>1,235</u>	<u>462</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

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

The current tax charge / (credit) for the period differs from the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below.

	2014 £000	2013 £000
Profit on ordinary activities before tax	1,044	-
Current tax charge at standard UK corporation tax rate of 21.5% (2013 – 23.25%)	225	-
Net (income) / expenses not recognised for tax purposes	(742)	197
Transfer pricing adjustment	1,108	1,397
Capital allowances in excess of depreciation	(123)	(49)
Adjustments in respect of prior periods	(770)	(407)
Current tax charge / (credit) for the year	(302)	1,138

(c) Deferred tax asset

	2014 £000	2013 £000
At 1 January 2014	8,316	7,640
(Charge) / credit to the profit and loss account – current year	(1,386)	824
(Charge) / credit to the profit and loss account – prior year	(151)	(148)
At 31 December 2014 (Note 10)	6,779	8,316

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

8. TANGIBLE FIXED ASSETS

	<i>Computer Equipment £000</i>	<i>Office fittings £000</i>	<i>Leasehold improvements £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2014	13,703	1,443	11,086	26,232
Additions	1,486	-	-	1,486
Disposal	-	-	(547)	(547)
At 31 December 2014	15,189	1,443	10,539	27,171
Depreciation:				
At 1 January 2014	13,253	1,443	10,069	24,765
Charge in year	58	-	452	510
Disposal	-	-	-	-
At 31 December 2014	13,311	1,443	10,521	25,275
Net book amount at: 31 December 2014	1,878	-	18	1,896
At 1 January 2014	450	-	1,017	1,467

9. INVESTMENTS

	<i>2014 £000</i>	<i>2013 £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
UBS Global Asset Management Client Services Ltd	4,330	4,330
UBS Global Asset Management Life Ltd	15,000	15,000
UBS Global Asset Management (Jersey) Ltd (£100)	-	-
Phildrew Nominees Ltd (£2)	-	-
	177,059	177,059

The investment in UBS Global Asset Management Client Services Ltd has been classified as a current asset as at 31 December 2014 (2013: Current asset) as the company went into liquidation during 2014. The investment in UBS Global Asset Management Client Services Ltd has not been subject to any impairment during the year (2013: £1,000).

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

10. DEBTORS

	2014	2013
	£000	£000
Amounts owed by group undertakings	3,996	1,696
Prepayments and accrued income	4,276	4,031
Taxation	2,216	4,084
Deferred tax asset	6,779	8,316
	<u>17,267</u>	<u>18,127</u>

11. CREDITORS: amounts falling due within one year

	2014	2013
	£000	£000
Amounts owed to group undertakings	19,819	17,401
Accruals and deferred income	33,837	34,833
	<u>53,656</u>	<u>52,234</u>

12. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	2014	2013
	£000	£000
Provisions at 1 January	4,581	5,000
Additions	5	691
Reductions	(547)	-
Utilised	(996)	(1,110)
Provisions at 31 December	<u>3,043</u>	<u>4,581</u>

At 31 December 2014 an amount of £2,992,000 (2013 - £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. There is little to no uncertainty as to the amount of this provision. It is expected to be utilised on expiry of the lease of the underlying asset in 2026.

An amount of £51,000 (2013 - £46,000) has been provided for the anniversary awards due to long serving employees of the Company. There is little to no uncertainty as to the amount of this provision. It is expected to be utilised during 2015.

No amount has been provided for severance costs in the year (2013 - £15,000).

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

13. CALLED UP SHARE CAPITAL

	2014 £000	2013 £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

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £000	2013 £000
Loss for the year	(191)	(462)
Net decrease in shareholders' funds for the year	(191)	(462)
Opening shareholders' funds	139,838	140,300
Closing shareholders' funds	139,647	139,838

15. 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 awards vest over three years with equal vesting in years two and three over a three year period. 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 year and 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 3 years from the time of purchase.

Equity Ownership Plan (EOP)

Annually, in or about February or March, selected employees receive a percentage of their annual performance related compensation in notional UBS shares instead of cash, on a mandatory basis (on-cycle awards).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

15. SHARE BASED PAYMENTS (CONTINUED)

Equity Ownership Plan (EOP) (continued)

Up to and including 2004, certain employees were eligible to receive a portion of their EOP award in Alternative Investment Vehicles ("AIV's") or UBS options. Since 2005, options have not been granted as part of the EOP and the vast majority of awards were made in UBS Shares or notional UBS Shares. The awards granted in UBS Shares or notional UBS Shares (or following the Exchange Offer, UBS Group Shares) are settled in equity, except in countries where this is not permitted for legal reasons. Awards made in the form of AIV's are settled in cash. Previously EOP awards vested in one third increments over a three year vesting period. EOP awards granted from March 2013 vest in two equal portions over the second and third year of a three year vesting period except for awards granted to members of the GEB which will vest in one third increments over the third, fourth and fifth years of a five year vesting period. In certain circumstances, these awards are forfeitable and may include performance conditions.

EOP awards are also granted to selected employees when joining the Group or in special circumstances (off cycle awards). Off-cycle awards have the same terms and conditions as on-cycle awards, except that the forfeiture conditions are more stringent.

Senior Executive Equity Ownership Plan (SEEOP)

Senior executives received a portion of their performance related compensation in UBS Shares or notional UBS Shares instead of cash, on a mandatory basis. The awards granted in UBS Shares or Notional UBS shares (or following the exchange offer, UBS Group Shares) are settled in equity. SEEOP awards generally vest in fifth increments over a five-year vesting period. These awards are forfeitable in certain conditions, including performance conditions, are not met. No grants are expected to be made in 2014.

Incentive Performance Plan (IPP)

Selected employees were granted a contingent right to receive UBS shares at vesting. The final number of UBS Group Shares to be delivered to a participant will depend on the achievement of specified share price growth measured by reference to the UBS Group Share price during the three months preceding the end of the specified performance period. IPP awards vest in full after 5 years. In certain circumstances these awards are forfeitable.

Performance Equity Plan (PEP)

Senior executives were granted a contingent right to receive UBS shares at vesting. The final number of UBS Group Shares delivered to a participant will depend on the achievement of specified performance conditions measured over the approximately 3-year period from grant date until vesting date. PEP awards vest in full after approximately 3 years, subject to forfeiture risk and the specified performance conditions.

Other deferred compensation plans

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

15. SHARE BASED PAYMENTS (CONTINUED)

UBS Option Awards and Stock Appreciation Rights (SAR) Awards

	2014 Number of Share options '000	2014 Weighted average exercise price (pence)	2013 Number of Share options '000	2013 Weighted average exercise price (pence)
Outstanding at beginning of year	2,959	1,155	3,766	875
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(157)	809	(284)	1,208
Expired during the year	(471)	3,065	(611)	1,191
Transfers	(80)	2,908	88	998
Outstanding at the end of the year	2,251	2,908	2,959	1,155
Exercisable at the end of the year	2,251	2,908	2,959	1,155

The weighted average share price at the date of exercise for options exercised during the year was 809p (2013: 1,208p). The options outstanding at 31 December 2014 have an exercise price of 2,908p (2013: 1,155p). The weighted average remaining contractual term for options outstanding ranges from 0.6 years to 3.8 years for CHF (2013: 1.0 years to 4.7 years for CHF). The weighted average remaining contractual term for SAR outstanding ranges from 4.0 years to 4.7 years (2013: 4.8 years to 5.6 years).

UBS Share Awards (Global AM Deferred Plans, EP, EOP and SEEOP)

	2014 Number of Shares '000	2014 Weighted average Share price (pence)	2013 Number of Shares '000	2013 Weighted average Share price (pence)
Outstanding at beginning of year	496	954	568	1,009
Granted during the year	44	1,183	216	1,026
Forfeited during the year	(8)	1,026	-	-
Exercised during the year	(118)	1,019	(282)	1,063
Expired during the year	-	-	(1)	995
Transfers	115	990	(5)	954
Outstanding at the end of the year	529	990	496	954
of which: shares vested for accounting purposes	-	-	-	-

UBS Share Awards (Global AM Deferred Plans, EP, EOP and SEEOP) (continued)

The weighted average share price at the date of exercise for shares during the year was 1,019p (2013: 1,063p). The shares outstanding at 31 December 2014 have a share price of 990p (2013: 954p), and a weighted average time to vesting date of 1 year (2013: 3 years).

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2014

16. SHARE BASED PAYMENTS (CONTINUED)

UBS Incentive Performance Plan (IPP)

	2014 Number of Shares '000	2014 Weighted average Share price (pence)	2013 Number of Shares '000	2013 Weighted average Share price (pence)
Outstanding at beginning of year	493	1,509	514	1,509
Granted during the year	-	-	-	-
Forfeited during the year	(13)	1,432	(21)	1,509
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Transfers	-	-	-	-
Outstanding at the end of the year	480	1,432	493	1,509
of which: shares vested for accounting purposes	-	-	-	-

The weighted average share price at the date of exercise for shares during the year was nil (2013: nil). The shares outstanding at 31 December 2014 have a share price of 1,432p (2013: 1,509p), and a weighted average time to vesting date of less than 1 year (2013: 2 years).

UBS Performance Equity Plan (PEP)

	2014 Number of Shares '000	2014 Weighted average Share price (pence)	2013 Number of Shares '000	2013 Weighted average Share price (pence)
Outstanding at beginning of year	144	1,083	209	1,103
Granted during the year	-	-	(31)	1,083
Forfeited during the year	(41)	1,226	-	-
Exercised during the year	(27)	1,226	(33)	1,083
Expired during the year	-	-	-	-
Transfers	-	-	-	-
Outstanding at the end of the year	76	839	144	1,083
of which: shares vested for accounting purposes	-	-	-	-

The weighted average share price at the date of exercise for shares during the year was 1,226p (2013: 1,083p). The shares outstanding at 31 December 2014 have a share price of 839p (2013: 1,083p), and a weighted average time to vesting date of less than 1 year (2013: 2 years).

The Company recognised total expenses of £8,375,000 (2013: £6,766,000) all of which related to equity-settled share-based payment transactions.

UBS GLOBAL ASSET MANAGEMENT HOLDING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2014

17. LEASE COMMITMENTS

Payments committed to be made in the next year under operating leases analysed according to the period after 31 December 2014 in which the commitments are due to expire are as under:

	2014	2013
	£000	£000
Land and buildings:		
In the second to fifth years inclusive	2,827	3,674

18. 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. All defined benefit accruals in the UK ceased from 1 July 2013.

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 £12,424,000 (2013 - £15,477,000) all of which related to the schemes outlined above. No contributions were outstanding relating to these schemes as at 31 December 2014 (2013- £nil).

19. 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 2014 or 2013.

20. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 31 December 2014, 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 Ltd, whose subsidiaries are CLOVA No. 1 Ltd and CLOVA No. 2 Ltd, Triton Holdco Ltd, whose subsidiaries are Triton Nominee 1 Ltd and Triton Nominee 2 Ltd, and UBS MC General Partner – UBS-PREMF Limited.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

21. PARENT UNDERTAKINGS

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

The ultimate parent undertaking and controlling party is UBS Group 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 Group AG can be obtained from the Company Secretary, UBS AG London Branch, 100 Liverpool Street, London EC2M 2RH.