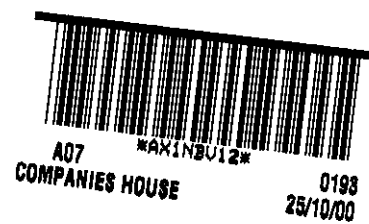


PHILLIPS & DREW LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1999



COMPANY NO. 2251850

PHILLIPS & DREW LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 1999.

DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is to act as a holding company and service company providing support functions to its subsidiary undertakings which carry on investment management business. Phillips & Drew Holding Limited, which is a subsidiary of UBS AG, replaced UBS UK Holding Limited as the immediate parent of the company on 4 March 1999.

FIXED ASSETS

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

RESULTS AND DIVIDENDS

During the year the company made a profit after taxation of £49,100,000. A first interim dividend of £21,000,000 and a second interim dividend of £26,000,000 were paid during the year. The directors recommend payment of a further dividend of £2,976,000.

DIRECTORS AND DIRECTORS' INTERESTS

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

	Date Resigned	Date Appointed
R W T Apps		1 January 1999
C H V Collins		
M J Cueni		
A J Dye		
P M C Meredith	1 April 1999	
M H R Ruetimann		
P T Yates		

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.

PHILLIPS & DREW LIMITED

DIRECTORS' REPORT

YEAR 2000

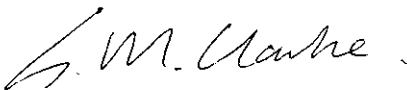
Systems critical to the group's ongoing operations and preparation of financial information (including application systems, operating systems and hardware), as well as other non-financial computing and date dependent systems on which the group relies in its operations, have been reviewed to establish the impact, if any, which the Year 2000 has already had, or might have in the future, on the accuracy of their calculations, processing and reporting.

There were plans in place designed to enhance our computer and other systems prior to 31 December 1999 which, when implemented, should have ensured that the impact of the Year 2000 problem would not have created significant errors on accounting records or adversely impacted operations or customer service. We believe that these plans were appropriate and realistic and had our commitment to implementing them effectively.

AUDITORS

Ernst & Young were appointed as auditors in place of PricewaterhouseCoopers by Special Resolution at an Extraordinary General Meeting and with effect from 25 October 1999.

By order of the Board



G M Clarke
Secretary

28 February 2000

AUDITORS' REPORT TO THE MEMBERS OF

PHILLIPS & DREW LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

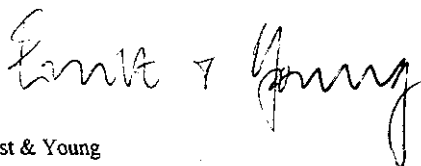
BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
28 February 2000

PHILLIPS & DREW LIMITED

PROFIT AND LOSS ACCOUNT

for the 12 months ended 31 December 1999

	Notes	1999 £'000	1998 £'000
TURNOVER	2	18,569	21,174
Administrative expenses		(19,051)	(20,566)
Other operating income		320	585
OPERATING (LOSS)/PROFIT		(162)	1,193
Income from shares in group undertakings		54,698	53,777
Interest payable and similar charges	3	(822)	(1,510)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	53,714	53,460
Taxation on profit on ordinary activities	7	(4,614)	(1,900)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		49,100	51,560
Dividends	8	(49,976)	(48,777)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(876)	2,783
BALANCE BROUGHT FORWARD		10,910	8,127
BALANCE CARRIED FORWARD		10,034	10,910

There were no recognised gains or losses in 1999 or 1998 other than those reflected in the profit and loss account for each year.

The notes on pages 6 to 12 form part of these financial statements.

PHILLIPS & DREW LIMITED

BALANCE SHEET

as at 31 December 1999

	Notes	1999	1998
		£'000	£'000
FIXED ASSETS			
Tangible	9	2,408	2,974
Investments	10	25,480	25,480
		<u>27,888</u>	<u>28,454</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	11	62,851	95,587
amounts falling due after more than one year	11	-	4,876
Cash at bank		<u>1</u>	<u>1</u>
		62,852	100,464
CREDITORS: amounts falling due within one year	12	(60,795)	(98,930)
NET CURRENT ASSETS		<u>2,057</u>	<u>1,534</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		29,945	29,988
CREDITORS: amounts falling due after more than one year	13	(11,045)	(11,098)
Provisions for liabilities and other charges	14	(886)	-
NET ASSETS		<u>18,014</u>	<u>18,890</u>
CAPITAL AND RESERVES			
Called up share capital	16	7,980	7,980
Profit and loss account		<u>10,034</u>	<u>10,910</u>
	17	<u>18,014</u>	<u>18,890</u>

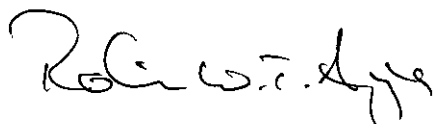
The notes on pages 6 to 12 form part of these financial statements.

Approved by the Board of Directors on 28 February 2000 and signed on its behalf by :

C H V Collins



R W T Apps



Directors

PHILLIPS & DREW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1999

1 ACCOUNTING POLICIES

a) Basis of Accounting

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

b) Turnover

Turnover comprises expenses recharged or allocated to other group undertakings.

c) Tangible Fixed Assets and Depreciation

Tangible fixed assets are shown at cost less depreciation which is calculated using the straight line method over the assets useful lives as follows:-

Computer equipment:	
Computer software	Written off on acquisition
Computer hardware	36 to 60 months
Office machines	60 months
Office furniture	120 months (formerly 60 months)
Cars	60 months (formerly 48 months)
Leasehold improvements	60 months

d) Investments

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

e) Deferred Taxation

Provision is made for deferred taxation on timing differences where there is a reasonable probability that the related asset or liability will crystallise in the foreseeable future.

f) Operating Leases

Rentals under operating leases are charged against income as incurred.

g) Pensions

The company operates a defined benefit scheme and a defined contribution scheme. The cost of providing pension benefits in the defined benefits 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.

2 TURNOVER

	1999	1998
	£'000	£'000
Expenses recharged to subsidiary undertakings	18,569	21,169
Expenses recharged to other group undertakings	-	5
	<u>18,569</u>	<u>21,174</u>

PHILLIPS & DREW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1999

3 INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
	£'000	£'000
Interest payable on overdrafts and bank loans	-	5
Interest payable on other loans	822	1,505
	<u>822</u>	<u>1,510</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

is stated after charging:

	1999	1998
	£'000	£'000
Depreciation	1,164	2,340
Auditors' remuneration		
Audit fees	16	17
Other services	4	21
Operating lease rentals		
Hire of plant and machinery	31	140
Other operating leases	2,749	2,547

5 DIRECTORS AND EMPLOYEES

	1999	1998
a) Average number of employees during the year, including directors	<u>123</u>	<u>122</u>

b) Employee costs:-

	£'000	£'000
Wages and salaries	8,012	8,760
Social security costs	846	796
Pension costs	446	533
	<u>9,304</u>	<u>10,089</u>

c) Emoluments of directors:-

Directors' aggregate emoluments in respect of management services to the company	671	4,813
Company contributions to the supplementary pension plan	-	388

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.

d) Highest paid director:-

Aggregate emoluments	468	1,602
Defined benefit pension scheme:		
Accrued pension at the end of year	<u>19</u>	<u>56</u>

PHILLIPS & DREW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1999

6 TRANSACTIONS WITH DIRECTORS AND CONNECTED PERSONS

Directors are entitled to deal in securities with UBS AG Group companies in accordance with the Phillips & Drew Group's personal account dealing rules. These provide that the directors receive the same terms as clients, except that they are entitled to fixed commission rates, but they must obtain prior permission and must comply with restrictions designed to avoid conflicts of interest or dealing of a speculative nature.

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£'000	£'000
The charge for taxation comprises:-		
Corporation tax credit at 30.25%	(262)	-
Deferred taxation at 30.25% (1998: 31%) (see note 15)	4,876	1,900
	<u>4,614</u>	<u>1,900</u>

8 DIVIDENDS

	1999	1998
	£'000	£'000
Paid	47,000	-
Proposed	2,976	48,777
	<u>49,976</u>	<u>48,777</u>

9 TANGIBLE ASSETS

	Computer Equipment	Office Fittings	Leasehold Improvements	Cars	Total
	£'000	£'000	£'000	£'000	£'000
Cost:-					
1 January 1999	10,345	1,732	3,306	889	16,272
Additions	524	79	107	56	766
Disposals	-	-	-	(351)	(351)
31 December 1999	<u>10,869</u>	<u>1,811</u>	<u>3,413</u>	<u>594</u>	<u>16,687</u>
Depreciation:-					
1 January 1999	9,201	1,201	2,552	344	13,298
Change in brought forward depreciation	-	(395)	-	(12)	(407)
Charge in year	843	210	400	118	1,571
Disposals	-	-	-	(183)	(183)
31 December 1999	<u>10,044</u>	<u>1,016</u>	<u>2,952</u>	<u>267</u>	<u>14,279</u>
Net Book Value:-					
31 December 1999	<u>825</u>	<u>795</u>	<u>461</u>	<u>327</u>	<u>2,408</u>
31 December 1998	<u>1,144</u>	<u>531</u>	<u>754</u>	<u>545</u>	<u>2,974</u>

The change in brought forward depreciation relates to the harmonisation of policy between Phillips & Drew Holdings Limited Group and its parent UBS AG in respect of estimates of the useful economic life of fixed assets.

PHILLIPS & DREW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1999

10 INVESTMENTS

1999 1998

£'000 £'000

Shares in subsidiary undertakings at cost:-

Phillips & Drew Fund Management Limited	7,517	7,517
Phillips & Drew International Investment Limited	2,963	2,963
Phillips & Drew Client Services Limited	10,000	10,000
Phillips & Drew Life Limited	5,000	5,000
UBSAM (Jersey) Limited (£2)	-	-
Phildrew Nominees Limited (£50)	-	-
PDFM Limited (dormant) (£2)	-	-
	<u>25,480</u>	<u>25,480</u>

11 DEBTORS

1999 1998

£'000 £'000

Due within one year:

Amounts owed by group undertakings	61,387	93,703
Other debtors	418	567
Prepayments and accrued income	<u>1,046</u>	<u>1,317</u>
	<u>62,851</u>	<u>95,587</u>

Due after more than one year:

Deferred tax (see note 15)	-	4,876
	<u>62,851</u>	<u>100,463</u>

12 CREDITORS: amounts falling due within one year

1999 1998

£'000 £'000

Bank loans and overdrafts	248	325
Amounts owed to group undertakings	25,238	14,338
Trade creditors	1,249	1,577
Taxation and social security	2,921	6,763
Other creditors	1,783	60
Accruals and deferred income	26,380	27,090
Proposed dividend	<u>2,976</u>	<u>48,777</u>
	<u>60,795</u>	<u>98,930</u>

13 CREDITORS: amounts falling due after more than one year

1999 1998

£'000 £'000

Taxation and social security	1,762	1,652
Accruals and deferred income	<u>9,283</u>	<u>9,446</u>
	<u>11,045</u>	<u>11,098</u>

PHILLIPS & DREW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1999

14 PROVISIONS FOR LIABILITIES AND OTHER CHARGES	1999	1998
	£'000	£'000
Provisions	886	-
	<u>886</u>	<u>-</u>

The Company have indemnified Phildrew Nominees Limited fully against all costs, damages, expenses and liabilities incurred by Phildrew Nominees Limited in the course of defending the Action brought by Alistair Robert Alcock and others, against Phildrew Nominees Limited and others.

15 DEFERRED TAXATION	1999	1998
	£'000	£'000
1 January	4,876	6,776
Charged to profit and loss account	(4,876)	(1,900)
31 December	<u>-</u>	<u>4,876</u>
Deferred tax is attributable to:	1999	1998
	£'000	£'000
Accelerated capital allowances	-	485
Accrued expenditure disallowable	-	4,391
	<u>-</u>	<u>4,876</u>

16 CALLED UP SHARE CAPITAL	1999	1998
	£'000	£'000
Authorised:-		
15,000,000 ordinary shares of £1 each	15,000	15,000
Allotted and fully paid:-		
7,980,168 ordinary shares of £1 each	<u>7,980</u>	<u>7,980</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1999	1998
	£'000	£'000
Profit for the year	49,100	51,560
Dividends	(49,976)	(48,777)
Net (decrease)/increase in shareholders' funds for the year	<u>(876)</u>	<u>2,783</u>
Opening shareholders' funds	18,890	16,107
Closing shareholders' funds	<u>18,014</u>	<u>18,890</u>

PHILLIPS & DREW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1999

18 LEASE COMMITMENTS

Payments committed to be made in the next year under operating leases analysed according to the period after 31 December 1999 in which the commitments are due to expire are as under:-

	1999	1998
	£'000	£'000
Land and buildings:		
Over 5 years	2,646	2,415
Other operating leases:		
Within the next year	60	1
In the 2nd to 5th years inclusive	47	107

19 PENSIONS

Until 30 April 1999, the company participated in the Union Bank of Switzerland United Kingdom Staff Pension Scheme (the Former Scheme), a defined benefit scheme with assets held in a trustee administered fund. At that time, the assets and the liabilities of the Union Bank of Switzerland United Kingdom Staff Pension Scheme were transferred into the UBS (UK) Pension and Life Assurance Scheme (the UBS Scheme) and the Company's employees now participate in the UBS section of that latter scheme.

Each of the schemes provide pension benefits related to service and final earnings with provisions for dependants on death.

A full valuation of the Former Scheme was undertaken at 30 September 1998 by a professionally qualified actuary using the projected unit method. This indicated that the Former Scheme was in a healthy financial state, with a surplus of assets over liabilities for completed service, allowing for future increases in salaries and pensions. The contributions from 1 January 1998 onwards have been set at 18% of basic salary for senior management and 10% of basic salary for other employees, with the aim of reducing the surplus over a number of years. From 1 October 1999, the company has been allowed to take a total contribution holiday under the UBS Scheme.

The 1998 valuation of the Former Scheme assumed investment returns of 6% per annum before retirement and 5.5% per annum after retirement, earnings increases of 4.5% per annum and increases to pensions in payment of 2.5% per annum. It showed the market value of the Former Scheme's assets as £251.6 million, which represents 107% of the liabilities.

The group has also made contributions during 1999 to the Union Bank of Switzerland Supplementary Pension Plan, a defined contribution scheme.

The total pension cost for the company was £446,000 (1998: £533,000), of which £446,000 (1998: £428,000) related to the Former Scheme and the UBS Scheme and £nil (1998: £105,000) to the Supplementary Pension Plan. A provision of £162,000 (1998: £181,000) is included in creditors, being the excess of accumulated pension cost over the amount funded.

20 CAPITAL COMMITMENTS

The company had the following authorised future capital expenditure not provided for at 31 December 1999:

	1999	1998
	£'000	£'000
Commitments for which contracts have been placed	12	53
Amounts authorised but not yet contracted for	-	110

PHILLIPS & DREW LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 December 1999

21 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 Phillips & Drew Holding Limited. There were no transactions with any other related parties in 1999 (1998: nil).

22 SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the company at 31 December 1999, all of which are engaged in investment management, advisory and related services, are shown below. All are wholly owned, those held directly by the company being marked with an asterisk. All subsidiary undertakings are registered in England and operate in the United Kingdom, with the exception of UBSAM (Jersey) Limited, which operates in Jersey and Phillips & Drew International Investment Inc, which is incorporated and operates in the USA.

- * Phillips & Drew Fund Management Limited, whose subsidiaries are:
 - Phillips & Drew Unit Managers Limited
 - PDFM Ventures Limited
- * Phillips & Drew International Investment Limited, whose subsidiary is:
 - Phillips & Drew International Investment Inc.
- * Phildrew Nominees Limited
- * Phillips & Drew Client Services Limited
- * UBSAM (Jersey) Limited
- * Phillips & Drew Life Limited
- * PDFM Limited (dormant)

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

23 PARENT UNDERTAKINGS

The company's immediate parent undertaking is Phillips & Drew Holding Limited. The smallest group into which the company is consolidated is Phillips & Drew Holding Ltd.

Copies of these financial statements can be obtained from:

Registrar of Companies
Companies House
Crown Way
CARDIFF CF4 3UZ

The ultimate parent undertaking 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:

UBS London Branch
100 Liverpool Street
LONDON EC2M 2RH