

UBS Wealth Management (UK) Ltd

Registered Number: 1325665

Report and Financial Statements

For the year ended 31 December 2008

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UBS Wealth Management (UK) Ltd

Report and Financial Statements  
For the year ended 31 December 2008

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UBS Wealth Management (UK) Ltd

Directors and Officers

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**Board of Directors**

A P Cronje (Chairman)  
P L Hall  
A J Kitchen  
D W S Reid

**Secretary**

H H L Charles, ACIS

**Registered office**

1 Finsbury Avenue  
London  
EC2M 2PP

**Principal place of business**

1 Curzon Street  
London  
W1J 5UB

**Registered Auditors**

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

UBS Wealth Management (UK) Ltd

Directors' Report

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The Directors present their report and financial statements of the Company for the year ended 31 December 2008 (the year).

**Principal activities**

The Company is engaged in the business of stock broking and investment management for private clients, charities and trusts and the provision of general financial and investment advice to its clients.

The Company is authorised and regulated by The Financial Services Authority ("FSA") to conduct activities regulated under the Financial Services and Markets Act 2000 and is a member of The London Stock Exchange.

**Business review**

2008 was a very turbulent year for the financial markets. Markets closed significantly down on their positions at the start of 2008. For example the FTSE all share index fell 26% during the year. This general fall in financial markets has affected the Company's turnover which was £27.5 million (2007: £37.9million). However, this has not adversely affected profit after tax which was £9.4 million (2007: £2.7 million). This is due to the Directors implementing a number of cost reduction and control initiatives. The prior year profit after tax has also been decreased by £0.96 million due to the restatement of the prior years as a result of the revision of FRS 20. Full details are given in the notes to the financial statements.

The company recorded a net outflow of clients assets during 2008 of £0.7 billion (2007: £0.7 billion).

Invested assets at 31 December 2008 were £2.9 billion as a result of the outflows and market conditions during the year (2007: £4.6 billion).

During the year a group of employees left the Company to start a rival company with the intention of attracting the Company's clients to the rival company. The directors have been working to minimise the number of clients who may request to transfer the management of their assets to the rival company by emphasising the benefits of the Company's service proposition, which is complimented by being a subsidiary of the global UBS AG group.

**Principal risks and uncertainties**

The continuing elevated levels of uncertainty within the financial markets and global economic turbulence will affect the Company's results. However, the affects of these market movements will be limited as the Company takes no proprietary risk and enters into market trades solely as a result of client orders.

As a wholly-owned subsidiary of UBS AG, the Company operates in line with UBS AG Group policies and risk management methodologies. Additionally, BIPRU 2.2 requires that the adequacy of the Company's capital is assessed by both the Company and the FSA. As part of this the Company has an obligation to perform an Internal Capital Adequacy Assessment Process (ICAAP). This process includes 1) carrying out regular assessments of the amounts, types and distribution of financial resources, capital resources and internal capital that the Company considers adequate to cover the nature and level of the risks to which it is or might be exposed, 2) identify the major sources of risk to its ability to meet its liabilities as they fall due, 3) conduct stress and scenario tests, 4) ensure that the processes, strategies and systems are both comprehensive and proportionate to the nature, scale and complexity of that firm's activities and 5) document its ICAAP. The Company updates this assessment on a quarterly basis and the results are reviewed by the Board each quarter.

**Key performance indicators**

Given the scope of the business, and that the Company is a wholly-owned subsidiary of UBS AG, the Directors are of the opinion that the use of key performance indicators or other forms of performance measurement is not necessary in providing an understanding of the development, performance or position of the Company and its business for the purposes of Section 417 of the Companies Act 2006. The parent company maintains an oversight of the Company's performance under the Wealth Management business and governance management structures. The Directors continually and actively monitored the Company's regulatory capital limits during the year. There has been no change in this status since the year.

**Future developments**

The Directors are currently reviewing the portfolio of clients and assets managed within the Company. Some or all of the assets may be transferred to UBS AG London Branch as a result of this review. The Company will continue to remain active for the foreseeable future.

**Charitable donations and political contributions**

The Company made £13,900 (2007: £1,300) of charitable donations during the year. None of these contributions were made for political purposes.

**Dividends**

The directors do not intend to recommend the declaration of a final dividend in respect of the year (2007: nil). The directors did not pay an interim dividend in 2008 (2007: £7.3 million)

UBS Wealth Management (UK) Ltd

Directors' Report

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**Directors**

The names of the current Directors are shown on page 2. During the year there was one appointment to, and three departures from, the Board. Mr A P Cronje was appointed as a Director of the Company on 13 November 2008. Mr M J Brumsen resigned as a Director of the Company on 5 June 2008, Mr E H G Fievet resigned as a Director of the Company on 10 September 2008 and Mr J F Pottage resigned as a Director of the Company on 12 December 2008.

Since the year end, there have been no appointments to, or resignations from, the Board.

**Disclosure of information to auditors**

At the date of Board approval of this report and financial statements for the year ended 31 December 2008, each of the Directors has confirmed that:

- as far as he is aware, there was no relevant audit information of which the auditors were unaware; and
- he has taken all the steps necessary as a Director in order to make himself 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 section 234ZA of the Companies Act 1985.

**Auditors**

Ernst & Young LLP, registered auditors, have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming annual general meeting in accordance with the provisions of Section 385 of the Companies Act 1985.

UBS Wealth Management (UK) Ltd

Statement of Directors' Responsibilities

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

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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 and 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.

Approved by the Board of Directors on 27 April 2009 and signed on their behalf by:



Harriet H L Charles

Secretary

27 April 2009

UBS Wealth Management (UK) Ltd

Independent Auditors' Report to the members of UBS Wealth Management (UK) Ltd

We have audited the financial statements of UBS Wealth Management (UK) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and auditors**

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

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

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

In addition, we report to you if, in our opinion, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

**Basis of audit opinion**

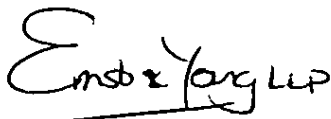
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

**Opinion**

In our opinion:

- (a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- (b) the financial statements have been properly prepared in accordance with the Companies Act 1985;
- (c) the information given in the Directors' report is consistent with the financial statements.



Ernst & Young LLP  
Registered auditor  
London  
27 April 2009

UBS Wealth Management (UK) Ltd

Profit and Loss Account  
For the year ended 31 December 2008

	Notes	2008 £'000	2007 Restated £'000
Turnover	2	27,480	37,850
Operating costs	4	(17,207)	(35,369)
Operating profit		10,273	2,481
Interest receivable and similar income	5	1,917	2,420
Interest payable and similar charges		(41)	(33)
Profit on ordinary activities before taxation		12,149	4,868
Tax on profit on ordinary activities	6	(2,744)	(2,123)
Profit on ordinary activities after taxation for the financial year		9,405	2,745
<b>Profit for the financial year</b>	16	<b>9,405</b>	<b>2,745</b>

All recognised gains and losses arising during the year and the prior year are reflected in the profit and loss account.

Turnover and operating profit all derive from continuing operations.



UBS Wealth Management (UK) Ltd

Balance Sheet  
AS AT 31 December 2008

	Notes	2008 £'000	2007 Restated £'000
<b>Current assets</b>			
Debtors	8	36,324	33,274
Cash at bank and in hand	9	25,119	23,288
		<b>61,443</b>	<b>56,562</b>
<b>Creditors: Amounts falling due within one year</b>	10	<b>(22,495)</b>	<b>(26,072)</b>
<b>Net current assets</b>		<b>38,948</b>	<b>30,490</b>
<b>Total assets less current liabilities</b>		<b>38,948</b>	<b>30,490</b>
<b>Provisions for liabilities and charges</b>	11	<b>(15)</b>	<b>(962)</b>
<b>Total net assets</b>		<b>38,933</b>	<b>29,528</b>
<b>Capital and reserves</b>			
Called-up share capital	12	2,506	2,506
Share premium account	16	13,150	13,150
Profit and loss account	16	23,277	13,872
<b>Shareholders' funds</b>		<b>38,933</b>	<b>29,528</b>

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2009. They were signed on its behalf by:



Andrew Kitchen  
Director  
London  
27 April 2009

**UBS Wealth Management (UK) Ltd**

**Notes to the financial statements  
For the year ended 31 December 2008**

**1. Accounting policies**

**(a) Accounting convention**

The financial statements of UBS Wealth Management (UK) Ltd have been prepared under the historical cost convention and in accordance with applicable United Kingdom laws and accounting standards.

**(b) Financial statements**

- i) All unsettled transactions at the balance sheet date are included in the financial statements.
- ii) Commissions and all other income are taken to the profit and loss account on all transactions executed during the year to the balance sheet date.
- iii) Amounts due to and from counterparties are disclosed on a gross basis.
- iv) The Company has taken advantage of the exemption offered under section 229(2) of the Companies Act 1985 not to produce group accounts. (see note 15).
- v) Under the provisions of Financial Reporting Statement 1 (revised), the Company is not required to present a cash flow statement as more than ninety per cent of the voting rights are controlled within the group, into whose accounts the results of the Company are consolidated.

**(c) Translation of foreign currencies into sterling**

Foreign currency balances outstanding at the balance sheet date are translated at the rate ruling at that date. All trading transactions are translated into sterling at the exchange rate ruling at the time of transactions. Foreign currency profits and losses arising are treated as normal items of the Company's operations and are included within the Company's profit and loss account.

**(d) Depreciation**

Depreciation is provided to write off the cost less estimated residual value of all fixed assets over their expected useful life.

The expected useful life of all assets except property refurbishment and computer equipment is five years. Computer equipment is written off over three years, and property refurbishment is written off over the unexpired life of the lease up to a maximum of five years.

**(e) Deferred taxation**

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as likely that they will be recovered.

**(f) Operating leases**

Operating lease costs are charged to the profit and loss account on a straight-line basis over the lease terms.

**(g) Investments**

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

**(h) Pensions**

During the year the Company was a participating employer in the UBS AG Group pension scheme.

**(i) UBS AG Group defined contribution scheme**

The charge to the profit and loss account in respect of this scheme represents normal contributions payable in respect of the relevant period.

**(j) Related Parties**

**i) Inter Company Transactions**

The Company has taken advantage of the exemption granted by Financial Reporting Standard 8 to subsidiary undertakings which are more than ninety per cent controlled within the group not to disclose transactions with other group entities.

**ii) Transactions with Directors**

Directors are entitled to deal in securities through UBS Wealth Management (UK) Ltd in accordance with the Company's personal account dealing rules. These provide that Directors receive the same terms as clients, except that they are entitled to reduced commission rates.

UBS Wealth Management (UK) Ltd

Notes to the financial statements  
For the year ended 31 December 2008

(k) Share based payments

The Company provides various equity participation plans to employees in the form of UBS AG share plans and UBS AG share option plans. The Company recognises the fair value of share and share option awards, determined at the date of grant, as compensation expense over the period that the employee is required to provide active services in order to earn the award. Plans containing voluntary termination non-compete provisions (i. e. good leaver clause) and no vesting conditions are considered vested in substance at the grant date because no future service is required. The related compensation expense is recognised during the performance year, which is generally the period prior to the grant date. The awards remain forfeitable until the legal vesting date if certain conditions are not met. Forfeiture of awards after the grant date does not result in a reversal of compensation expense as the related services have been received. Plans containing vesting conditions typically have a three-year tiered vesting structure which means awards vest in one-third increments over that period. Such awards may contain provisions that shorten the required service period due to retirement eligibility. In such instances, the Company recognises compensation expense over the shorter of the legal vesting period and the period from grant to the retirement eligibility date of the employee. Forfeiture of these awards results in a reversal of compensation expense. The fair value of share awards is equal to the average UBS AG share price at the date of grant adjusted for an employee's non-entitlement to dividends during the vesting period (if applicable) and, any post-vesting sale and hedge restrictions and non-vesting conditions. The fair value of share option awards is determined by means of a Monte Carlo simulation which takes into account the specific terms and conditions under which the share options are granted. Equity settled awards are classified as equity instruments and are not remeasured 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 remeasured 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 recognized for awards that expire worthless or remain unexercised.

On 1 January 2008, the Company adopted an amendment to FRS 20 Share-based Payment: Vesting Conditions and Cancellations and restated the two comparative prior years (see note 19). The amended standard no longer considers non-compete conditions to establish a service requirement in order to earn the share-based awards. Accordingly, UBS changed its expense recognition for compensation awards that contain non-compete conditions from the stated vesting period to the period over which the employee is required to provide active service in order to earn the award. Post-vesting sale and hedge restrictions and other non-vesting conditions are considered when determining the fair value of an award at grant date.

The adoption of these FRS 20 amendments had the effect that the compensation expense for share and option awards containing non-compete provisions was recognised retrospectively in the year. Additional compensation expense of £1.3 million was recognised for 2006 and an expense reversal of £0.34 million for 2007. In 2008, management decided that most of the share-based awards to be granted in March 2009 for the year 2008 will be forfeited if the employee terminates employment with UBS prior to vesting and eliminated the non-compete conditions.

Compensation expense for these awards will be recognised over the stated vesting period that commences on 1 March 2009. The adoption of the amendments to FRS 20 and the large reduction in variable compensation for 2008 resulting in a small number of share grants related to 2008 significantly reduced share-based compensation expense for 2008.

Further information on the Company equity compensation plans is disclosed in Note 3(d) to the Financial Statements.

(l) Prior Year Adjustment

The revision in FRS 20 has resulted in a material adjustment to the prior year accounts. Therefore in these accounts comparatives have been restated in line with the revised standard. The effect of this on the comparative prior year figures has been shown in note 19.

UBS Wealth Management (UK) Ltd

Notes to the financial statements  
For the year ended 31 December 2008

2. Turnover

Turnover represents commissions earned on a trade date basis and management fees and other income recognised on an accruals basis and arises from one class of business, substantially in the United Kingdom.

3. Information regarding Directors and employees

(a) Employee costs during the year:

	2008 £'000	2007 Restated £'000
Wages and salaries:		
Wages and salaries not including equity remuneration costs	7,694	15,057
Incentive payments following acquisition of the Company	-	-
Employee incentive plan (EPP/Non-EPP)	(1,151)	5,174
<b>Total wages and salaries, including equity remuneration costs</b>	<b>6,543</b>	<b>20,231</b>
Social security costs	1,040	2,125
Other pension costs	743	837
<b>Total employee costs</b>	<b>8,326</b>	<b>23,193</b>

Average number of persons employed:	No 135	No 177
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(b) Pensions

The UBS AG Group Pension Scheme ("Group Scheme") is operated by UBS AG. Eligible employees of UBS AG, including those of the Company for the year ended 31 December 2008, were members of the defined contribution section of the Group Scheme. Members are entitled to make voluntary contributions in addition to employers' contributions.

The total pension costs to the Company have been:

	2008 £'000	2007 Restated £'000
UBS AG Group - defined contribution scheme	743	837
	743	837

(c) Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

Emoluments receivable charged in the company	-	-
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Additional Directors' emoluments in respect of qualifying services borne by the parent company were as follows

The aggregate remuneration of the Directors for the year was	187	428
The total remuneration of the highest paid Director was	58	60

(d) Share based payments

UBS group has several equity participation plans in operation.

Equity Plus Plan: This voluntary plan gives eligible employees the opportunity to purchase UBS shares at fair market value and generally receive at no additional cost two UBS options for each share purchased, up to a maximum annual limit.

UBS Wealth Management (UK) Ltd

Notes to the financial statements  
For the year ended 31 December 2008

(d) Share based payments (cont)

Equity Ownership Plan: Selected employees receive between 10% and 45% of their annual performance related compensation in UBS shares or notional UBS shares instead of cash, on a mandatory basis.

Senior Executive Equity Ownership Plan: Senior executive receive between 25% and 50% of their performance related compensation in UBS shares or notional UBS shares instead of cash, on a mandatory basis.

Key Employee Stock Option Plan: Key and high potential employees are granted UBS options with a strike price not less than the fair market value of a UBS share on the date the option is granted. Options vest in full following a 3 year vesting period.

The expense recognised for share-based payments in respect of employee services received during the year is (£1.2 million) (2007: £5.2 million)  
This expense was entirely equity settled.

UBS Share Awards

Movement in shares granted under various equity participation plans as described above are as follows:

	Number of shares 2008	Weighted average grant date fair value (GBP)	Number of shares 2007	Weighted average grant date fair value (GBP)
Unvested, at the beginning of the year	247,410	24	350,946	20
Shares awarded during the year	70,234	21	28,059	29
Forfeited during the year	(115,687)	35	(17,095)	23
Vested during the year	(144,146)	39	(114,500)	18
Unvested, at the end of the year	57,811	34	247,410	24

UBS Option Awards

Movements in options granted under various equity participation plans as described above are as follows:

	Number of shares 2008	Weighted average exercise price (GBP)	Number of shares 2007	Weighted average exercise price (GBP)
Outstanding, at the beginning of the year	17,106	21	11,248	19
Exercised during the year	(709)	17	(668)	15
Forfeited during the year	(2,875)	33	(158)	23
Granted during the year*	17,944	19	6,684	30
Outstanding, at the end of the year	31,466	30	17,106	21

\*As a result of the rights offering in June 2008, UBS adjusted the number of options and exercise price for vested and unvested employee options which were unexercised at the date of the rights offering. This was done to prevent any dilution impact to holders of these options. No additional compensation expense was recognized.

Valuation

The fair value of options is determined by means of a Monte Carlo simulation. The fair value of options granted in 2008 and 2007 was determined using the following assumptions.

2008

	GBP Equivalent ** awards	range low	range high	
Expected Volatility (%)	33.86	30.00	49.32	
Risk-free interest rate (%)	2.83	1.74	3.27	
Expected dividend (GBP Equivalent) **	1.19	0.71	1.65	
Strike Price (GBP Equivalent) **	19.36	9.30	29.59	
Share Price (GBP Equivalent) **	18.04	9.30	28.04	

2007

	GBP Equivalent ** awards	range low	range high	
Expected Volatility (%)	23.86	22.51	29.23	
Risk-free interest rate (%)	2.58	2.46	3.27	
Expected dividend (GBP Equivalent) **	1.39	0.98	2.02	
Strike Price (GBP Equivalent) **	31.64	24.62	34.97	
Share Price (GBP Equivalent) **	31.17	24.62	34.97	

\*\* The shares and options in the above mentioned schemes are originally issued or granted in CHF and are translated using the year end exchange rates. Opening balances use the prior year's exchange rate and intra year amounts use the year end exchange rate for that year.

The valuations used above are consistent with the valuations of the parent company, UBS AG's, equity participation schemes.

UBS Wealth Management (UK) Ltd

Notes to the financial statements  
For the year ended 31 December 2008

	2008 £'000	2007 Restated £'000
<b>4. Operating costs</b>		
Operating costs include:		
Lease charges in respect of land and buildings	72	79
Depreciation	-	12
Auditors remuneration		
Audit of the Company's annual accounts	206	215
Other services pursuant to legislation	35	78
<b>5. Interest receivable and similar income</b>		
Interest receivable	1,917	2,420
<b>Interest received and similar income</b>	<b>1,917</b>	<b>2,420</b>
<b>6. Tax</b>		
(a) Analysis of tax charge on ordinary activities		
Current tax charge	2,673	1,983
Deferred tax charge	71	140
<b>Tax charge</b>	<b>2,744</b>	<b>2,123</b>
(b) Factors affecting the tax charge for the current year		
The tax charge assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 28.5% (2007: 30%)		
Profit on ordinary activities before tax	12,149	4,868
Tax at 28.5% (2007: 30%) thereon	3,463	1,460
Effects of:		
Expenses not deductible for tax purposes	(762)	685
Capital allowances in excess of depreciation	(28)	(32)
Movement in general provisions	-	(130)
<b>Current year tax charge after prior year adjustments</b>	<b>2,673</b>	<b>1,983</b>
Deferred Taxation in relation to timing differences	71	140
<b>Tax charge</b>	<b>2,744</b>	<b>2,123</b>

On 26 June 2007 the Finance Act 2007 was substantially enacted through Parliament. This brought about a reduction in the corporation tax rate with effect from 1 Apr 2008. The effect of this change in tax rate has no material impact on the deferred tax asset held by the Company

(c) Unrecognised deferred tax assets

The Company has an unrecognised deferred tax assets of £0.2 million (2007: £1.1m) in respect of future potential tax relief relating to the employee share options awarded. This asset has not been recognised as the Directors do not consider that it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

UBS Wealth Management (UK) Ltd

Notes to the financial statements  
For the year ended 31 December 2008

	2008 £'000	2007 Restated £'000
<b>7. Dividends</b>		
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 31 December 2008 £nil (2007: 0.0293p) per ordinary share	-	7,332
	-	7,332
<b>8. Debtors</b>		
Trade debtors	30,048	29,054
Amounts owed by related undertakings	3,120	177
Other debtors	256	321
Prepayments and accrued income	2,820	3,571
Deferred taxation	80	151
<b>Total debtors</b>	<b>36,324</b>	<b>33,274</b>
Amounts owed by debtors are all due within one year.		
<b>9. Cash at bank and in hand</b>		
Cash at bank and in hand	25,119	23,288
At 31 December 2008, amounts held by the Company on behalf of clients in segregated accounts in accordance with the Client Money Rules of the FSA amounted to £398 million (2007: £518 million). The Company has no beneficial interest in these deposits and accordingly they are not included in the balance sheet.		
<b>10. Creditors: Amounts falling due within one year</b>		
Bank overdrafts	252	492
Trade creditors	17,379	11,621
Amounts owed to the parent undertaking and fellow subsidiary undertakings	656	1,444
Other creditors including tax and social security	2,736	3,834
Accruals and deferred income	1,472	8,681
	22,495	26,072
Trade creditors include £216,823 (2007: £901,218) due to Group undertakings.		
<b>11. Provisions for liabilities and charges</b>		
Balance brought forward	962	516
Arising during the year	-	1,424
Utilised during the year	(947)	(978)
<b>Balance carried forward</b>	<b>15</b>	<b>962</b>

As at year end, the Company has an outstanding complaint in respect of losses made by a client due to delay in processing a trade. An amount of £15,000 has been provided for this complaint (2007: an amount of £52,000 was provided for both the same matter and against a complaint regarding advice given on an endowment mortgage). In 2007 a provision of £910,000 was raised in respect of reconciliation issues that were under ongoing investigation. Following resolution of these issues this was utilised during the year and the remainder released.

UBS Wealth Management (UK) Ltd

Notes to the financial statements  
For the year ended 31 December 2008

	2008 £'000	2007 Restated £'000
<b>12. Called up share capital</b>		
Authorised 250,643,795 ordinary shares of 1p each	2,506	2,506
	2,506	2,506
Allotted and fully paid 250,643,795 ordinary shares of 1p each	2,506	2,506
	2,506	2,506

**13. Subsidiary undertakings**

Listed below are the Company's subsidiary undertakings:

	Cost of Investment (£)	Country of Incorporation	Country of Registration
Jocar Nominees Limited	21	Jersey	Jersey
Lewis Powell Nominees Limited	100	Great Britain	England & Wales
Productive Nominees Limited	2	Great Britain	England & Wales

The Company holds one hundred per cent of the nominal value of the ordinary shares of each of the above subsidiary undertakings. In accordance with section 229(2) of the Companies Act 1985, all three subsidiary undertakings have been excluded from consolidation because their inclusion is not material for the purpose of giving a true and fair view.

	2008 £'000	2007 Restated £'000
<b>14. Annual commitments under operating leases</b>		
Land and buildings leases which expire:		
Within one year	30	78
Within 2 to 5 years	15	207
After 5 years	-	42
	45	327
Other assets leases which expire:		
Within one year	-	8
Within 2 to 5 years	-	-
After 5 years	-	-
	-	8

**15. Capital commitments**

There were no capital commitments as at 31 December 2008 (2007: £nil)

**16. Movement of shareholders' funds**

	Share Capital	Profit & Loss	Share Premium	Total
Balance brought forward as at 1 January 2008	2,506	13,872	13,150	29,528
Retained profit for the year	-	9,405	-	9,405
Balance carried forward as at 31 December 2008	2,506	23,277	13,150	38,933

**17. Ultimate controlling party**

During the year the Company's immediate and ultimate holding company is UBS AG, a company registered in Switzerland, which is the smallest and largest company for which group accounts are prepared. Copies of the group financial statements may be obtained from UBS AG, 1 Finsbury Avenue, London, EC2M 2PP.

**18. Pillar 3 Disclosures**

For the purposes of the Financial Services Authority's BIPRU rule 11.3.10 (4) the Pillar 3 Disclosures for UBS Wealth Management (UK) Ltd can be found on the UBS AG website [www.ubs.com](http://www.ubs.com) under the 'Pillar 3 disclosures of subsidiaries in the UK' pages accessible through the Analysts & Investors link on the UBS AG homepage.



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19. Prior Year Adjustment

The following comparatives in the financial statements and notes to the financial statements have been restated in line with the current year presentation due to the revision of Financial Reporting Standard 20 as noted in note 1 (k).

	2008 Restated Comparative £'000	2007 Financial statements £'000
Profit and Loss Account		
Operating Cost	(35,369)	(34,409)
Balance Sheet		
Creditors: Amounts falling due within one year	(26,072)	(25,112)
Profit and loss account	13,872	14,832
Notes Restated		
3. Information regarding Directors and employees		
(a) Employee costs during the year:		
Employee incentive plan (EPP/Non-EPP)	5,174	4,214
6. Tax		
(b) Factors affecting the tax charge for the current year		
Expenses not deductible for tax purposes	685	397
10. Creditors: Amounts falling due within one year		
Amounts owed to the parent undertaking and fellow subsidiary undertakings	1,444	484
		£'000
Movement of shareholders' funds (note 16)		
Profit and loss brought forward as 1 January 2008 per prior year financial statements		14,832
Prior year adjustment in respect of FRS 20 Accounting policy revision		(960)
Profit and loss brought forward as 1 January 2008 per these financial statements		13,872