

UBS Wealth Management (UK) Ltd

Registered Number 1325665

Report and Financial Statements

For the year ended 31 December 2010

WEDNESDAY



AL6GUWKR

A29

10/08/2011

72

COMPANIES HOUSE

UBS Wealth Management (UK) Ltd

**Report and Financial Statements
For the year ended 31 December 2010**

Contents	PAGE
Directors and Officers	2
Directors' Report	3 - 4
Statement of Directors' Responsibilities	5
Independent Auditors' Report	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9 - 15

UBS Wealth Management (UK) Ltd

Directors and Officers and Advisers

Board of Directors

A P Cronje (Chairman)
A J Kitchen
C D Licence
D H A Rowe

Secretary

H H L Charles

Registered office

1 Finsbury Avenue
London
EC2M 2PP

Principal place of business

1 Curzon Street
London
W1J 5UB

Registered Auditors

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

UBS Wealth Management (UK) Ltd

Directors' Report

The Directors present their report and financial statements of UBS Wealth Management (UK) Ltd ("the Company") for the year ended 31 December 2010

Principal activities and review of the business

During the year the Company did not engage in any business. In the previous financial year, on 5 December 2009, the Company's ongoing business was transferred to and amalgamated into the existing Wealth Management business in the London Branch of its parent company, UBS AG. At the same time, all staff contracts were also transferred to UBS AG. The consideration for this purchase and sale agreement was the net book value of the assets and business transferred.

Invested assets at 31 December 2010 were £nil (2009: £nil).

The Company was authorised and regulated by The Financial Services Authority ("FSA") to conduct activities regulated under the Financial Services and Markets Act 2000. An application made to the FSA for deregulation was granted effective from 24 March 2011.

Results and dividends

The Company made a profit after tax for the year of £0.14m (2009: loss £0.77m). This profit after tax was generated from interest receivable of £0.05m (2009: £15.3m).

The directors do not intend to recommend the declaration of a final dividend in respect of the year (2009: £nil). The directors paid an interim dividend in 2010 of £9m (2009: £13m).

Principal risks and uncertainties

As discussed above, the Company had transferred its ongoing business to the London Branch of its parent company, UBS AG, in 2009. As a result of this and the fact trading has now ceased, the Company faces a low level of operational risk and few uncertainties.

As a wholly-owned subsidiary of UBS AG, the Company operates in line with UBS AG Group policies and risk management methodologies. Additionally, until the Company was deregulated by the FSA on 24 March 2011, BIPRU 2.2 required that the adequacy of the Company's capital was assessed by both the Company and the FSA until deregulation.

As part of this, the Company had an obligation to perform an Internal Capital Adequacy Assessment Process ("ICAAP"). This process included 1) carrying out regular assessments of the amounts, types and distribution of financial resources, capital resources and internal capital that the Company considered adequate to cover the nature and level of the risks to which it was or might have been exposed; 2) identifying the major sources of risk to its ability to meet its liabilities as they fall due; 3) conducting stress and scenario tests; 4) ensuring that the processes, strategies and systems are both comprehensive and proportionate to the nature, scale and complexity of that firm's activities; and 5) documenting its ICAAP. The Company updated this assessment on a quarterly basis and the results were reviewed by the Board at each board meeting.

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 are 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.

Future developments

As discussed above, the Company has transferred its ongoing business to UBS AG and was deregulated by the FSA on 24 March 2011. The Company is therefore unlikely to earn or incur any significant revenues or costs during the course of 2011.

Charitable donations and political contributions

The Company made £nil (2009: £150) of charitable donations during the year. None of these contributions were made for political purposes.

Directors

The names of the current Directors are shown on page 2. During the year there were two new appointments to the Board. Mr C D Licence was appointed to the Board on 30 July 2010 and Mr D H A Rowe was appointed to the Board on 8 September 2010.

During the year there have been two resignations from the Board. Mr P L Hall resigned as a Director of the Company on 18 March 2010 and Mr D W S Reid resigned as a Director of the Company on 28 April 2010.

UBS Wealth Management (UK) Ltd

Directors' Report

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware there is no relevant audit information being information needed by the auditor in connection with preparing its report of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue to meet its liabilities as and when they fall due despite no longer trading. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

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 485 of the Companies Act 2006.

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 for 2008 and 2009 can be found on the UBS AG website 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.

Approved by the Board of Directors on 5 August 2011 and signed on their behalf by



Harriet H L Charles
Secretary
5 August 2011

UBS Wealth Management (UK) Ltd

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements the directors are required to

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

The directors are responsible for keeping proper accounting records 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.

UBS Wealth Management (UK) Ltd

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

We have audited the financial statements of UBS Wealth Management (UK) Ltd for the year ended 31 December 2010 which comprise the profit and loss account the balance sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB'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 Report and Financial Statements to identify material misstatements and inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- (a) give a true and fair view of the state of the company's affairs as at 31 December 2010 and of the profit for the year then ended
- (b) have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- (c) have been prepared in accordance with the requirements of the Companies Act 2006

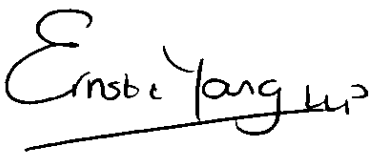
Opinion on other matter prescribed by the Companies Act 2006

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

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

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



Sarah Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP Statutory Auditor
London
8 August 2011

UBS Wealth Management (UK) Ltd

Profit and Loss Account
For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	49	15 333
Operating costs	4	(75)	(16 544)
Operating loss		(26)	(1,211)
Interest receivable and similar income	5	231	388
Interest payable and similar charges		(9)	(34)
Profit/(Loss) on ordinary activities before taxation		196	(857)
Income tax (expense)/credit	6	(55)	91
Profit/(Loss) on ordinary activities after taxation for the financial year		141	(766)
Profit/(Loss) for the financial year	15	141	(766)

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

The notes on pages 9 to 15 form an integral part of these financial statements

UBS Wealth Management (UK) Ltd
Registered Number 1325665
Balance Sheet
As at 31 December 2010

	Notes	2010 £'000	2009 £'000
Current assets			
Debtors	8	2,105	4 403
Cash at bank and in hand	9	15,903	23,321
		18,008	27 724
Creditors Amounts falling due within one year	10	(1,700)	(2 412)
Net current assets		16,308	25 312
Total assets less current liabilities		16,308	25 312
Provisions for liabilities and charges	11	-	(145)
Total net assets		16,308	25,167
Capital and reserves			
Called-up share capital	12	2,506	2 506
Share premium account	15	13,150	13 150
Profit and loss account	15	652	9 511
Shareholders' funds		16,308	25 167

The financial statements were approved by the Board of Directors and authorised for issue on 5 August 2011. They were signed on its behalf by

The notes on pages 9 to 15 form an integral part of these financial statements



Andrew Kitchen
Director
London
5 August 2011

UBS Wealth Management (UK) Ltd

Notes to the Financial Statements
For the year ended 31 December 2010

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 405(2) of the Companies Act 2006 not to produce group accounts
- 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) 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.

(d) Investments

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

(e) Pensions

Until 5 December 2009 the Company was a participating employer in the UBS AG Group pension scheme.

(f) 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.

(g) Related parties

i) Inter company transactions

The Company has taken advantage of the exemption granted by Financial Reporting Standard 8 to wholly owned companies within a 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.

(h) Revenue recognition

Revenue is recognised based on commissions earned on a trade date basis and management fees, trail commissions and other income recognised on an accruals basis.

UBS Wealth Management (UK) Ltd

**Notes to the Financial Statements
For the year ended 31 December 2010**

(i) Share based payments

The Company provided 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 recognized 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 recognizes 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 recognized 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.

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

UBS Wealth Management (UK) Ltd

Notes to the Financial Statements
For the year ended 31 December 2010

2 Turnover

Turnover represents commissions earned on a trade date basis and management fees trail commissions 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

	2010 £'000	2009 £'000
Wages and salaries		
Wages and salaries not including equity remuneration costs	-	7 599
Incentive payments following acquisition of the Company	-	-
Employee incentive plan (FPP/Non-EPP)	-	427
Total wages and salaries including equity remuneration costs	-	8 026
Social security costs	-	756
Other pension costs	-	480
Total employee costs	-	9 262
Average number of persons employed	2010	2009
	-	78

(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 2009 were members of the defined contribution section of the Group Scheme. Members were entitled to make voluntary contributions in addition to employers' contributions.

The total pension costs to the Company were £Nil (2009 £480 000).

(c) Directors' emoluments

Emoluments receivable charged in the company were £Nil (2009 £Nil). The aggregate remuneration of the Directors for the year was £Nil (2009 £196 000) and the total remuneration of the highest paid Director was £Nil (2009 £70,000).

No emoluments receivable were charged in any other Company within the Group (2009 £Nil).

(d) Share based payments

The expense recognised for share-based payments in respect of employee services received during the year is £nil (2009 £427 078).

This expense was entirely equity settled.

UBS Wealth Management (UK) Ltd

Notes to the Financial Statements
For the year ended 31 December 2010

(d) Share based payments (cont)

UBS Share Awards

Movement in shares granted under equity participation plans during 2009 were as follows

	Number of shares 2009	Weighted average grant date fair value (GBP)
Forfeitable at the beginning of the year	57 811	34
Shares awarded during the year	-	-
Forfeited during the year	(10,616)	23
Distributed during the year	(30 632)	39
Transferred to UBS AG	16 563	19

UBS Option Awards

Movements in options granted under equity participation plans during 2009 were as follows

	Number of shares 2009	Weighted average exercise price (GBP)
Outstanding at the beginning of the year	31 466	30
Exercised during the year	-	-
Forfeited during the year	(2 241)	22
Expired Unexercised	(24 140)	29
Granted during the year*	2 862	8
Transferred to UBS AG	7 947	26

*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 2009 was determined using the following assumptions

2009	GBP Equivalent ** awards	range low	range high
Expected volatility (%)	48.22	40.91	53.47
Risk-free interest rate (%)	2.16	1.50	2.57
Expected dividend (GBP Equivalent) **	0.16	0.00	0.17
Strike price (GBP Equivalent) **	7.10	5.59	23.91
Share price (GBP Equivalent) **	6.96	5.59	11.52

** 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.

On 5 December 2009 all the Company's employees were transferred to UBS AG.

UBS Wealth Management (UK) Ltd

Notes to the Financial Statements
For the year ended 31 December 2010

	2010 £'000	2009 £'000
4 Operating costs		
Operating costs include		
Lease charges in respect of land and buildings (rental refund received in 2010)	(1)	73
Auditors remuneration		
Audit of the Company's annual accounts (accrued for in UBS AG as of 2010)	-	69
5 Interest receivable and similar income		
Interest receivable	231	388
Interest received and similar income	231	388
6 Tax		
(a) Analysis of tax (credit)/charge on ordinary activities		
Current tax charge/(credit)	55	(171)
Deferred tax charge	-	80
Tax charge/(credit)	55	(91)
(b) Factors affecting the tax charge/(credit) for the current year		
The tax assessed for the year is equal to that resulting from applying the standard rate of corporation tax in the UK of 28% (2009 28%)		
Profit/(loss) on ordinary activities before Tax	196	(857)
Tax at 28% (2009 28%) thereon	55	(240)
Effects of		
Expenses not deductible for tax purposes	-	84
Capital allowances in excess of depreciation	-	(15)
Movement in general provisions	-	-
Current year tax charge/(credit)	55	(171)
Deferred Taxation in relation to timing differences	-	80
Tax charge/(credit)	55	(91)
(c) Unrecognised deferred tax assets		
The Company does not have an unrecognised deferred tax asset during the year (2009 £nil)		

UBS Wealth Management (UK) Ltd

Notes to the Financial Statements
For the year ended 31 December 2010

	2010 £'000	2009 £'000
7 Dividends		
Amounts recognised as distributions to equity holders in the year		
Interim dividend for the year ended 31 December 2010 0 036p (2009 0 052p) per ordinary share	9 000	13 000
	<u>9,000</u>	<u>13 000</u>

8 Debtors		
Trade debtors	-	2,048
Amounts owed by related undertakings*	2,105	1 942
Other debtors	-	214
Prepayments and accrued income	-	199
	<u>2 105</u>	<u>4 403</u>

*Amount is owed by UBS AG and is non-interest bearing and due within one year

9 Cash at bank and in hand		
Cash at bank and in hand	15 903	23,321

At 31 December 2010, amounts held by the Company on behalf of clients in segregated accounts in accordance with the Client Money Rules of the FSA amounted to £nil (2009 £9 million). The Company has no beneficial interest in these deposits and accordingly they are not included in the balance sheet

10 Creditors Amounts falling due within one year		
Bank overdrafts	-	10
Trade creditors	-	145
Amounts owed to the parent undertaking and fellow subsidiary undertakings	1 830	-
Amount due from a group undertaking for group relief	(130)	1 645
Other creditors including tax and social security	-	482
Accruals and deferred income	-	130
	<u>1 700</u>	<u>2 412</u>

Trade creditors include £nil (2009 £757) due to Group undertakings

11 Provisions for liabilities and charges		
Balance brought forward	145	15
Arising during the year	-	145
Released/utilised during the year	(145)	(15)
	<u>-</u>	<u>145</u>

In 2009 the Company had an outstanding amount in respect of a client account. The amount of £145 165 that was provided for this amount was released during the current year when the client balance was transferred to UBS AG.

UBS Wealth Management (UK) Ltd

Notes to the Financial Statements
For the year ended 31 December 2010

	2010 £'000	2009 £'000
12 Called up share capital		
Allotted and fully paid 250,643,795 ordinary shares of 1p each	2 506	2 506
	2,506	2 506

- 13 Subsidiary undertakings**
As a result of the sale and purchase agreement between UBS AG and the Company, the full share capital of subsidiary undertakings was purchased by UBS AG on 5 December 2009

- 14 Annual commitments under operating leases**
The total cost of land and buildings leases which expire within one year was £Nil (2009 £16,000). All leases were novated or cancelled as part of the business transfer to UBS AG on 5 December 2009.

15 Movement of shareholders' funds

	Share Capital £'000	Profit & Loss £'000	Share Premium £'000	Total £'000
Balance brought forward as at 1 January 2010	2 506	9 511	13,150	25 167
Dividends paid		(9,000)		(9,000)
Retained profit for the year	-	141	-	141
Balance carried forward as at 31 December 2010	2,506	652	13 150	16 308

16 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.