

Company Registration Number 2418504

# **UBS INTERNATIONAL UK LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

For the year ended

**31 DECEMBER 2007**

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# **UBS INTERNATIONAL UK LIMITED**

## **REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

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# **UBS INTERNATIONAL UK LIMITED**

## **DIRECTORS AND OFFICERS**

### **BOARD OF DIRECTORS**

Richard W J Hardie                      Chairman

Amy Fainsbert  
Anna M I Haemmerli  
Alastair S Holmes  
John Quarmby  
Sean E Ryan  
Gregory P Simpson  
Andrew D Williams

### **SECRETARY**

Harriet H L Charles, ACIS

### **REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS**

1 Finsbury Avenue  
LONDON EC2M 2PP

### **AUDITORS**

Ernst & Young LLP  
Registered Auditor  
1 More London Place  
LONDON SE1 2AF

# **UBS INTERNATIONAL UK LIMITED**

## **REPORT OF THE DIRECTORS**

The Directors present their Report together with the audited financial statements ('Accounts') of the Company for the year ended 31 December 2007 ('the year') which have been prepared in accordance with the provisions of the Companies Act 1985

### **Principal Activities and Business Review**

The Company has continued to act as an investment holding company during the year. During the year, the Company ceased to conduct any activity that required regulation or authorisation under the Financial Services and Markets Act 2000 and accordingly, applied for cancellation of its Part IV Permission on 22 October 2007. The Financial Services Authority granted the Company's application and cancelled the Part IV Permission effective 17 December 2007.

### **Principal Risks and Uncertainties**

Risks associated with the business continue to be managed according to UBS AG guidelines. As an indirect wholly-owned subsidiary of UBS AG, the Company operates in line with UBS AG Group policies, including environmental and ethical standards.

### **Key Performance Indicators**

Given the limited scope and nature of the business, and that the Company is an indirect wholly-owned subsidiary of UBS AG, the Directors are of the opinion that 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 234ZZB of the Companies Act 1985. The parent company maintains an oversight of the Company's performance under the UBS Investment Bank business and governance management structures.

The Directors continually and actively monitored the Company's regulatory capital position during the year up to the date of cancellation of the Company's Part IV Permission.

### **Future Developments**

The Directors have no plans or intentions, at this time, to either enhance or further develop the activities of the Company.

### **Results and Dividends**

The profit before taxation, of the Company for the year amounted to \$6,848,000 (2006: \$6,539,000). After taxation and dividends, the Company retained a loss of \$2,169,000 (2006: profit \$4,746,000). The Directors have paid an interim dividend of \$7,000,000 (2006: \$nil) and they do not intend to recommend the declaration of a final dividend in respect of the year (2006: \$nil).

The state of affairs of the Company as at the year end was otherwise as shown in the accompanying Balance Sheet.

# **UBS INTERNATIONAL UK LIMITED**

## **REPORT OF THE DIRECTORS**

### **Directors**

The names of the current Directors are shown on page 2. During the year there was one appointment to, and one departure from, the Board.

Ms Anna M I Haemmerli was appointed as Director of the Company on 31 October 2007. Mr Urs R Plüss resigned as Director of the Company on 31 October 2007.

Since the year, there were two appointments to, and two departures from, the Board. Mr Richard C Blundell resigned as Director of the Company on 19 August 2008, Ms Sally A James resigned as Director of the Company on 21 August 2008. Mr Alastair S Holmes and Mr John Quarmby were appointed as Directors of the Company on 20 August 2008.

No service contracts have subsisted between the Company and any of its Directors during the year and no such contracts have come into being since the year.

### **Directors' Responsibilities**

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

Company law requires the Directors to prepare financial statements for each accounting reference period. 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 of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to

- select suitable and appropriate accounting policies and then apply them consistently,
- make judgements 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,
- 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 that 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.

# UBS INTERNATIONAL UK LIMITED

## REPORT OF THE DIRECTORS

### Disclosure of Information to Auditors

At the date of Board approval of this Report and Financial Statements for the year ended 31 December 2007, each of the Directors has confirmed that

- as 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 Section 234ZA of the Companies Act 1985

### Employees

The Company has no employees of its own (2006 nil) UBS AG group has made, and continues to make, available a number of its employees to be engaged either on a full-time or part-time basis in the performance of certain functions or operations in connection with the Company's business

### Charitable Donations and Political Contributions

On 15 August 2007, the Financial Services Authority granted waiver to certain of its client money rules that allowed unclaimed client money balances to be paid to charity subject to two key conditions. These conditions were, firstly, the Company was required to write to identified clients informing them of the Company's intention to no longer treat balances as client money and to give the client 28 days to make a claim and, secondly, to establish an insurance policy against possible future claims. The Company followed and completed these steps and the final balances amounting in aggregate to £375,579 58 were paid away to the following charities before the end of the year

Name of Charity	Amount Donated	Charity No
St Luke's Centre Management Company Limited (affiliated to the London Symphony Orchestra - No 232391)	£42,579 58	1068014
Royal Anniversary Trust	£333,000 00	1000000

No charitable donations had been made in the previous year. No contributions for political purposes were made by the Company during the year (2006 nil)

### Auditors

Ernst & Young LLP, Registered Auditor, 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

Approved by the Board of Directors on 23 October 2008 and signed on their behalf by



**Harriet H L Charles**

Secretary

1 Finsbury Avenue, London EC2M 2PP

# **UBS INTERNATIONAL UK LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UBS INTERNATIONAL UK LIMITED**

We have audited the Company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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 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, 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.

## UBS INTERNATIONAL UK LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UBS INTERNATIONAL UK LIMITED

#### Opinion

In our opinion

- 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



Ernst & Young LLP  
Registered auditor  
London  
24 October 2008



# UBS INTERNATIONAL UK LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

	Notes	2007 US\$'000	2006 US\$'000
Other income		3	-
Foreign exchange gain/(loss)		<u>1</u>	<u>(14)</u>
<b>Operating profit</b>		<b>4</b>	<b>(14)</b>
Interest receivable and similar income	4	<u>6,844</u>	<u>6,553</u>
<b>Profit on ordinary activities before taxation</b>		<b>6,848</b>	<b>6,539</b>
Taxation	5	<u>(2,017)</u>	<u>(1,793)</u>
<b>Profit on ordinary activities after taxation</b>		<b>4,831</b>	<b>4,746</b>
Dividends	10	<u>(7,000)</u>	<u>-</u>
<b>Retained (loss)/profit transferred to reserves</b>		<b><u>(2,169)</u></b>	<b><u>4,746</u></b>

All of the activities of the Company are classified as continuing

There were no gains or losses in the year other than the profit for the year

The notes on pages 10 to 14 form part of these financial statements

# UBS INTERNATIONAL UK LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007 US\$'000	2006 US\$'000
<b>Current assets</b>			
Debtors	6	2	4
Cash at bank and in hand	7	<u>128,995</u>	<u>132,018</u>
		<b>128,997</b>	<b>132,022</b>
 <b>Creditors: amounts falling due within one year</b>	 8	 <u>(1,189)</u>	 <u>(2,045)</u>
 <b>Net current assets</b>		 <u><b>127,808</b></u>	 <u><b>129,977</b></u>
 <b>Total assets less current liabilities</b>		 <u><b>127,808</b></u>	 <u><b>129,977</b></u>
 <b>Capital and reserves</b>			
Called up share capital	12	1,410	1,410
Share premium account	13	121,526	121,526
Profit and loss account	13	4,872	7,041
 <b>Equity shareholders' funds</b>		 <u><b>127,808</b></u>	 <u><b>129,977</b></u>

These financial statements were approved by the Board of Directors on 23 October 2008 and are signed on their behalf by

  
Sean E Ryan  
Director

The notes on pages 10 to 14 form part of these financial statements

# **UBS INTERNATIONAL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **1. ACCOUNTING POLICIES**

##### **Basis of preparation and change in accounting policy**

The Company's financial statements for the year ended 31 December 2007 were approved by the Board of Directors on 23 October 2008 and the balance sheet was signed on the Board's behalf by Mr Sean E Ryan

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

##### **Reporting currency**

It is considered that a fairer reflection of the Company's activities is given by presenting the financial statements in US dollars, since the US dollar is the main currency of the Company's primary economic environment

##### **Cash flow statement**

The Company, a wholly owned subsidiary undertaking, has elected to utilise the exemption available in Financial Reporting Standard ('FRS') 1, 'Cash Flow Statements (revised 1996)', and not produce a cash flow statement

##### **Balances with UBS AG**

The Company has a banking relationship with UBS AG, the ultimate parent undertaking. Transactions include, inter alia, current accounts and deposits. In these financial statements, such balances are treated as bank accounts and not as amounts owed to and by group undertakings.

Interest is recognised on an accruals basis

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

#### **2. AUDITORS' REMUNERATION**

During the year, fees of £3,000 (2006 £9,362) in connection with the audit of the Company's annual accounts were paid by UBS AG on the Company's behalf. In accordance with their normal practice no recharge will be made to the Company.

#### **3. PARTICULARS OF EMPLOYEES AND DIRECTORS**

None of the Directors who served during the year received any emoluments for services to the Company (2006 US\$nil). The Company had no employees during the year (2006 nil).

# UBS INTERNATIONAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 US\$'000	2006 US\$'000
Interest from group undertakings	6,804	6,553
Other similar income receivable	40	-
	<u>6,844</u>	<u>6,553</u>

#### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

##### (a) Analysis on charge in year

	2007 US\$'000	2006 US\$'000
<i>UK Corporation tax</i>		
Current tax charge on profit for the period	2,054	1,962
Adjustment in respect of previous periods	(37)	(169)
	<u>2,017</u>	<u>1,793</u>

##### Factors affecting tax charge for the period

The current tax charge for the period differs from the standard rate of corporation tax in the UK of 30% (2006 30%) The differences are explained below

	2007 US\$'000	2006 US\$'000
Profit on ordinary activities before tax	<u>6,848</u>	<u>6,539</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	2,054	1,962
Effects of Adjustment in respect of previous periods	(37)	(169)
	<u>2,017</u>	<u>1,793</u>

# UBS INTERNATIONAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

### 6. DEBTORS

	2007 US\$'000	2006 US\$'000
Amounts owed by group undertakings	<u>2</u>	<u>4</u>

### 7. CASH AT BANK AND IN HAND

Included in cash at bank and in hand are cash balances of \$128,994,837 (2006 \$132,017,930) placed with group undertakings

### 8. CREDITORS: Amounts falling due within one year

	2007 US\$'000	2006 US\$'000
Amounts owed to group undertakings	68	68
Corporation tax	1,121	1,241
Other creditors	<u>-</u>	<u>736</u>
	<u>1,189</u>	<u>2,045</u>

### 9. CONTINGENT LIABILITIES

Due to the nature of its former business, the Company may become involved in claims, disputes and legal proceedings arising in the ordinary course of business. The Directors will only make provisions for such matters when, in the opinion of management and its professional advisers, it is probable that a payment will be made by the Company and the amount can be reasonably estimated. The Directors have made no such provision in relation to such claims.

A claim has been asserted against the Company alleging losses of US\$12 million in respect of a transaction in 1999/2000. The Company denies liability, no proceedings have been commenced and any claim will be vigorously defended. It is not possible to estimate the Company's possible liability, if any, in relation to these matters.

# UBS INTERNATIONAL UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 10. DIVIDENDS

	2007 US\$'000	2006 US\$'000
<i>Equity dividends on ordinary shares US\$7,000,000 paid on 21 August 2007</i>		
Interim paid (US\$4.96 per share)	<u>7,000</u>	<u>-</u>
Total dividends paid	<u>7,000</u>	<u>-</u>

#### 11. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption given to subsidiaries in FRS 8, 'Related Party Disclosures', from disclosing related party transactions with other group companies

#### 12. SHARE CAPITAL

##### Authorised share capital:

	2007 US\$'000	2006 US\$'000
1,500,000 ordinary shares of US\$1 each	<u>1,500</u>	<u>1,500</u>

##### Allotted, called up and fully paid:

	2007 US\$'000	2006 US\$'000
1,410,177 ordinary shares of US\$1 each	<u>1,410</u>	<u>1,410</u>

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

	Share capital US\$'000	Share premium account US\$'000	Profit and loss account US\$'000	Total US\$'000
At 1 January 2006	1,410	121,526	2,295	125,231
Profit for the year	<u>-</u>	<u>-</u>	<u>4,746</u>	<u>4,746</u>
At 1 January 2007	1,410	121,526	7,041	129,977
Profit for the year	<u>-</u>	<u>-</u>	<u>4,831</u>	<u>4,831</u>
Dividend	<u>-</u>	<u>-</u>	<u>(7,000)</u>	<u>(7,000)</u>
At 31 December 2007	<u>1,410</u>	<u>121,526</u>	<u>4,872</u>	<u>127,808</u>

# **UBS INTERNATIONAL UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2007**

#### **14. ULTIMATE PARENT COMPANY**

The Company is a wholly owned subsidiary of PaineWebber UK Holdings, a company registered in England & Wales. The Company is an indirect wholly owned subsidiary of PaineWebber International Inc, a company incorporated in the State of Delaware, U S A. PaineWebber International Inc has included the Company in its group financial statements. Copies of these can be obtained from 1285 Avenue of the Americas, New York, U S A.

UBS AG, a company incorporated with limited liability in Switzerland, is the ultimate parent holding company and is the parent undertaking of the largest group for which group financial statements are prepared. Copies of the group financial statements can be obtained from UBS AG, 1 Finsbury Avenue, London, EC2M 2PP.