

Company Registration Number: 2418504

UBS INTERNATIONAL UK LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended

31 DECEMBER 2008

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UBS INTERNATIONAL UK LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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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 2008 ('the year') which have been prepared in accordance with the provisions of the Companies Act 1985 and the Companies Act 2006 as appropriate.

Principal Activities and Business Review

The Company's principal activities include making loans to group companies.

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 417 of the Companies Act 2006. The parent company maintains an oversight of the Company's performance under the UBS Investment Bank business and governance management structures.

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 \$903,000 (2007: \$6,848,000). After taxation and dividends, the Company retained a profit of \$573,000 (2007 loss: \$2,169,000). The Directors did not pay an interim dividend during the year (2007: \$7,000,000) and they do not intend to recommend the declaration of a final dividend in respect of the year (2007: \$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 were two departures from, and two appointments to, the Board.

Mr Richard C Blundell and Ms Sally A James each resigned as a Director of the Company on 19 August 2008 and 21 August 2008 respectively. Mr John Quarmby and Mr Alastair Holmes were appointed as additional Directors of the Company on 20 August 2008.

There has been no change in the composition of the Board since the year.

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 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 of the profit or loss of the Company for that year. 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; 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 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 and the Companies Act 2006 as appropriate. 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 2008, 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 (2007: 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

There were no charitable donations (2007:£375,580) nor any contributions for political purposes (2007:\$nil) made by the Company during the year.

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 pursuant to the provisions of Section 485 of the Companies Act 2006.

Approved by the Board of Directors on 3 June 2009 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 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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 2008 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
5 June 2009

UBS INTERNATIONAL UK LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2008

	Notes	2008 US\$'000	2007 US\$'000
Other income		-	3
Foreign exchange gain		<u>131</u>	<u>1</u>
Operating profit		131	4
Interest receivable and similar income	4	783	6,844
Interest payable and similar charges	5	<u>(11)</u>	<u>-</u>
Profit on ordinary activities before taxation		903	6,848
Taxation	6	<u>(330)</u>	<u>(2,017)</u>
Profit on ordinary activities after taxation		573	4,831
Dividends	11	<u>-</u>	<u>(7,000)</u>
Retained profit/(loss) transferred to reserves		<u>573</u>	<u>(2,169)</u>

There were no recognised gains or losses other than the results for the respective years as shown above.

All of the activities of the Company are classed as continuing.

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

UBS INTERNATIONAL UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 US\$'000	2007 US\$'000
Current assets			
Debtors	7	128,629	2
Cash at bank and in hand	8	-	128,995
		<u>128,629</u>	<u>128,997</u>
 Creditors: amounts falling due within one year	9	 (248)	 (1,189)
		<u>128,381</u>	<u>127,808</u>
Net current assets			
		<u>128,381</u>	<u>127,808</u>
 Total assets less current liabilities		 <u>128,381</u>	 <u>127,808</u>
 Capital and reserves			
Called up share capital	13	1,410	1,410
Share premium account	14	121,526	121,526
Profit and loss account	14	5,445	4,872
		<u>128,381</u>	<u>127,808</u>
 Equity shareholders' funds		 <u>128,381</u>	 <u>127,808</u>

These financial statements were approved by the Board of Directors on 3 June 2009 and are signed on their behalf by:



Gregory P Simpson
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 2008

1. ACCOUNTING POLICIES

Basis of preparation and change in accounting policy

The Company's financial statements for the year ended 31 December 2008 were approved by the Board of Directors on 3 June 2009 and the balance sheet was signed on the Board's behalf by Mr Gregory P Simpson.

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 £2,900 (2007: £3,000) 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 (2007: US\$nil). The Company had no employees during the year (2007:nil).

UBS INTERNATIONAL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 US\$'000	2007 US\$'000
Interest from group undertakings	783	6,804
Other similar income receivable	-	40
	<u>783</u>	<u>6,844</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 US\$'000	2007 US\$'000
Interest payable to group undertaking	<u>11</u>	<u>-</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in year

	2008 US\$'000	2007 US\$'000
<i>UK Corporation tax</i>		
Current tax charge on profit for the period	421	2,054
Adjustment in respect of previous periods	(91)	(37)
	<u>330</u>	<u>2,017</u>
Total current tax charge		

UBS INTERNATIONAL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

(b) 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 28.5% (2007: 30%). The differences are explained below.

	2008 US\$'000	2007 US\$'000
Profit on ordinary activities before tax	<u>903</u>	<u>6,848</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	257	2,054
Effects of:		
Notional transfer pricing adjustment	708	-
Group relief claimed without charge	(544)	-
Adjustment in respect of previous periods	(91)	(37)
Current tax charge for the year	<u>330</u>	<u>2,017</u>

7. DEBTORS

	2008 US\$'000	2007 US\$'000
Amounts owed by group undertakings	<u>128,629</u>	<u>2</u>

8. CASH AT BANK AND IN HAND

Included in cash at bank and in hand are cash balances of US\$88 (2007: US\$128,994,837) placed with group undertakings.

9. CREDITORS: Amounts falling due within one year

	2008 US\$'000	2007 US\$'000
Amounts owed to group undertakings	22	68
Corporation tax	226	1,121
	<u>248</u>	<u>1,189</u>

UBS INTERNATIONAL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

10. 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.

11. DIVIDENDS

	2008 US\$'000	2007 US\$'000
Interim paid (US\$4.96 per share)	-	7,000
Total dividends paid	-	7,000

12. 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.

13. SHARE CAPITAL

Authorised share capital:

	2008 US\$'000	2007 US\$'000
1,500,000 ordinary shares of US\$1 each	1,500	1,500

Allotted, called up and fully paid:

	2008 US\$'000	2007 US\$'000
1,410,177 ordinary shares of US\$1 each	1,410	1,410

UBS INTERNATIONAL UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Share capital US\$'000</i>	<i>Share premium account US\$'000</i>	<i>Profit and loss account US\$'000</i>	<i>Total US\$'000</i>
At 1 January 2007	1,410	121,526	7,041	129,977
Profit for the year	-	-	4,831	4,831
Dividend	-	-	(7,000)	(7,000)
At 1 January 2008	1,410	121,526	4,872	127,808
Profit for the year	-	-	573	573
At 31 December 2008	<u>1,410</u>	<u>121,526</u>	<u>5,445</u>	<u>128,381</u>

15. 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.