

PaineWebber International (U.K.) Ltd

Report and Financial Statements

For the year ended 31 December 2002

Registered no. 2418504



PaineWebber International (U.K.) Ltd

YEAR ENDED 31 DECEMBER 2002

CONTENTS	PAGES
Directors' report	1 to 2
Auditors' report to the shareholders	3 to 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 to 10

DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company acted as an investment company during the year. The company is regulated by the Financial Services Authority.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 5.

The directors consider the state of the company's affairs to be satisfactory.

The company did not pay a dividend during the year (2001: \$nil), and no dividend is proposed.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

R Hardie	Chairman – appointed - 20 September 2002
D Francese	
I Myers	
J Britton	
S Ryan	
P Price	
M Kerrison	Resigned – 3 September 2002
R Chersi	
S James	
N Livingstone	Appointed – 3 September 2002

None of the directors had a disclosable interest in the shares of the company, its holding company, or fellow subsidiaries.

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

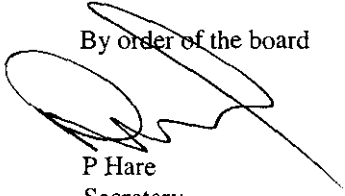
- select suitable accounting policies, as described on page 7, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the members at the Annual General Meeting.

By order of the board



P Hare
Secretary
31 March 2003

Registered office:
1 Finsbury Avenue
London EC2M 2PP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAINEWEBBER INTERNATIONAL (U.K.) LIMITED

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, and the related notes 1 to 13. These financial statements have been prepared on the basis of 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 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 described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PAINEWEBBER INTERNATIONAL (U.K.) LIMITED (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

31 March 2003

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	<i>Notes</i>	<i>2002</i> <i>\$000</i>	<i>2001</i> <i>\$000</i>
Profit on sale of investments		-	535
Other income		16	44
Foreign exchange gain		106	256
Interest receivable	3	5,832	13,308
Interest payable and similar charges	3	(4)	(106)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>5,950</u>	<u>14,037</u>
Taxation on profit on ordinary activities	5	6,281	(4,271)
RETAINED PROFIT FOR THE YEAR	11	<u>12,231</u>	<u>9,766</u>

There were no gains or losses for 2002 or 2001 other than the profit for the year.


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


The notes on pages 7 to 10 form part of the financial statements

BALANCE SHEET
 at 31 December 2002

	Notes	2002 \$000	2001 \$000
FIXED ASSETS			
Investments	6	142	142
		<u>142</u>	<u>142</u>
CURRENT ASSETS			
Debtors	7	291	11,725
Cash at bank and in hand	9	314,036	312,712
		<u>314,327</u>	<u>324,437</u>
CREDITORS: amounts falling due within one year	8	(6,759)	(29,100)
		<u>307,568</u>	<u>295,337</u>
NET CURRENT ASSETS			
		<u>307,710</u>	<u>295,479</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u><u>307,710</u></u>	<u><u>295,479</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	1,410	1,410
Share premium account	11	121,526	121,526
Profit and loss account	11	184,774	172,543
		<u>307,710</u>	<u>295,479</u>
Shareholders' funds	11	<u><u>307,710</u></u>	<u><u>295,479</u></u>

The financial statements were approved by the board on 31 March 2003 and signed on its behalf by:


 S. Ryan
 Director


 N. Livingstone
 Director

The notes on pages 7 to 10 form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

1. ACCOUNTING POLICIES

Accounting convention

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

Preparation of financial statements in US dollars

It is considered that a fairer reflection of the company's activities is given by presenting the financial statements in US dollars since the majority of the company's transactions are denominated in this currency.

Fixed asset investments

Fixed asset investments are stated at the lower of cost and market value.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. All differences are taken to the profit and loss account.

Cash flow statement

The directors have taken advantage of the exemption in paragraph 5(a) of Financial Reporting Standard No 1 (revised) from producing 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.

2. AUDITOR'S REMUNERATION

Auditors' remuneration in respect of the company is being borne by the ultimate holding company.

3. INTEREST

INTEREST RECEIVABLE		
	2002	2001
	\$000	\$000
Group undertakings	5,069	11,932
Other	763	1,376
	<u>5,832</u>	<u>13,308</u>
INTEREST PAYABLE AND SIMILAR CHARGES		
	2002	2001
	\$000	\$000
Group undertakings	-	99
Other	4	7
	<u>4</u>	<u>106</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

4. DIRECTORS' EMOLUMENTS AND STAFF COSTS

None of the directors who served during the year received any emoluments for services to the company.
The company has no employees..

5. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

Analysis of charge in period:

	2002 \$000	2001 \$000
UK Corporation tax at 30%	1,785	4,271
Adjustments in respect of previous periods	(8,066)	-
Tax on profit on ordinary activities	<u>(6,281)</u>	<u>4,271</u>

Factors affecting tax charge for the period:

2002 \$000	2001 \$000
---------------	---------------

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax	<u>5,950</u>	<u>14,037</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001: 30%)	1,785	4,211
Effects of:		
Prior year adjustment	(8,066)	-
Other sundry	-	60
Current tax (credit)/charge for period	<u>(6,281)</u>	<u>4,271</u>

6. FIXED ASSET INVESTMENTS

	2002 \$000
Cost:	
At 1 January 2002	<u>142</u>
At 31 December 2002	<u>142</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

7. DEBTORS

	2002 \$000	2001 \$000
Prepayments and accrued income	85	326
Amounts owed by group undertakings	206	11,088
Other debtors	-	311
	<u>291</u>	<u>11,725</u>

8. CREDITORS: amounts falling due within one year

	2002 \$000	2001 \$000
Amounts owed to group undertakings	758	15,961
UK corporation tax	5,055	6,645
Other taxes and social security costs	-	479
Other creditors	946	6,015
	<u>6,759</u>	<u>29,100</u>

9. CASH AT BANK AND IN HAND

The cash balance includes \$264,141,830 (2001 - \$262,679,702) on deposit at market rates with a group undertaking. Client money of \$1,380,312 was held at the year end.

10. SHARE CAPITAL

	2002 \$000	2001 \$000
Authorised:		
1,500,000 ordinary shares of \$1 each	<u>1,500</u>	<u>1,500</u>
	<u>\$000</u>	<u>\$000</u>
Allotted, called up and fully paid:		
1,410,000 ordinary shares of \$1 each	<u>1,410</u>	<u>1,410</u>

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital \$000	Share premium account \$000	Profit and loss account \$000	Total \$000
At 1 January 2001	1,410	121,526	162,777	285,713
Profit for the year	-	-	9,766	9,766
At 1 January 2002	<u>1,410</u>	<u>121,526</u>	<u>172,543</u>	<u>295,479</u>
Profit for the year	<u>-</u>	<u>-</u>	<u>12,231</u>	<u>12,764</u>
At 31 December 2002	<u>1,410</u>	<u>121,526</u>	<u>184,774</u>	<u>308,243</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2002

12. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption given to subsidiaries in FRS8 from disclosing related party transactions with other group companies.

13. ULTIMATE PARENT HOLDING COMPANY

The company is a wholly owned subsidiary of PaineWebber UK Holdings Ltd, a company registered in England, whose ultimate parent company is UBS AG, a company incorporated in Switzerland.

The parent undertaking of the largest group which includes the company and for which group financial accounts are prepared is UBS AG, a company registered in Switzerland.

Copies of these group accounts can be obtained from:

UBS AG
100 Liverpool Street
London EC2M 2RH