UBS Asset Management (UK) LTD

Annual Report and Financial Statements
for the year ended 31 December 2021

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DIRECTORS AND OFFICERS
Registered No. 1546400

CORPORATE INFORMATION

DIRECTORS
I. R. Ashment
R. Beechey
E. C. S. Byrne
P.A. Davies (Non-executive)
K.M. Jecks (Non-executive)

AUDITOR
Ernst & Young LLP
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STRATEGIC REPORT

The Directors present their report and the audited financial statements of UBS Asset Management (UK) Ltd (the "Company") for the year ended 31 December 2021.

STRATEGIC REPORT

In accordance with the provisions of Section 414A of the Companies Act 2006, the Directors present their strategic report of UBS Asset Management (UK) Ltd (the "Company") for the year ended 31 December 2021. This has been prepared in compliance with the provisions of Section 414C of the Companies Act 2006 and covers matters relating to the Company's future developments and a summary of how the Directors have acted in good faith to promote the success of the Company for the benefit of its stakeholders.

PRINCIPAL ACTIVITY

The principal activity of the Company, which is a wholly owned subsidiary undertaking of UBS Asset Management Holding Ltd, (the "Immediate Parent Company"), is to provide investment and fund management services to pension funds, institutional/Wholesale clients and various collective investment schemes in the UK ("United Kingdom") and overseas. The Company is authorised and regulated by the Financial Conduct Authority (the "FCA").

UBS Group AG ("UBS Group") is incorporated in Switzerland and the ultimate parent company into which the Company is consolidated. UBS Group is preparing consolidated financial statements, including the Company's financial statements consolidated from UBS Asset Management AG.

The Asset Management UK Group ("UK Group") includes the Company, UBS Asset Management Holding Ltd, UBS Asset Management Holding (No.2) Ltd, UBS Asset Management Funds Ltd, UBS Asset Management Life Ltd and the associated subsidiaries.

REVIEW OF THE BUSINESS

During the year the Company made a profit after taxation of £12,772,000 (2020 – £22,970,000). An interim dividend was paid during the year of £22,930,000 (2020 – £11,700,000). The Directors do not recommend the payment of a final dividend (2020 – nil).

The Company's key financial and other performance indicators during the year were as follows:

	2021	*2020*	*Change*
	£000	*£000*	*%*
Turnover	158,326	173,139	-9%
Administrative expenses	(141,035)	(146,842)	-4%
Operating profit	17,291	26,297	-34%
Profit for the financial year	12,772	22,970	-44%
Shareholder equity	159,500	154,658	3%

STRATEGIC REPORT (CONTINUED)

REVIEW OF THE BUSINESS (CONTINUED)

The Company services, and distributes to, UK and overseas clients, as well as acts as a global hub for portfolio management for various investment strategies. It has a diversified business model, with the ability to access multiple investment capabilities across the following products: Active Equities, Systematic and Index Investments, Fixed Income, Investment Solutions, Real Estate & Private Markets, Multi-Manager Solutions and the O'Connor investment capability which has specific expertise in the management of alternative investment funds.

From 1st January 2021 the Company entered into a new transfer pricing framework which operates consistently across the UBS Asset Management division globally. The new framework shares revenue to entities who perform the three key revenue generating services: contract location, client relationship management and portfolio management. In addition, all teams supporting these key revenue generating services allocate their costs to the entity receiving this support service. As a result, the turnover and administrative expenses both decreased in 2021. However, the overall impact of the framework change is flat to slightly improving impact on profitability.

The reduction in turnover in 2021 is largely caused by a reduction in performance related income, which fell by approx. GBP 21m, to GBP 7m in 2021. The Board consider the 2021 fee levels to be in line with more normalized outcome and consider the 2020 performance revenue to be above normal expectations.

CAPITAL REQUIREMENTS

The Directors have regularly assessed the implications of the Capital Requirements Regulation 575/20B ("CRR") in relation to the Company and its business operating model via the Internal Capital Adequacy Assessment Process ("ICAAP") for UBS Asset Management Holding (No.2) Ltd and its relevant subsidiaries, UBS Asset Management (UK) Ltd, UBS Asset Management Holding Ltd and the Company (not including UBS Asset Management Life Ltd). This is in accordance with the Capital Requirement Directive 2013/36/EU ("CRD") which is replaced by the UK Investment Firm Prudential Regime ("IFPR"), effective as at 1 January 2022. For 2022, the Company will prepare an ICAAP with reference date 31 December 2021 and an Internal Capital Adequacy and Risk Assessment ("ICARA") with reference date 1 January 2022 as requested under IFPR.

The ICAAP is an important tool for the Board of Directors and senior management to assess the risks to the Company and to ensure capital requirements are met. The Board of Directors are of the opinion that the current ICAAP is robust and reflects the risk and capital requirements of the Company adequately.

PRINCIPAL RISKS AND UNCERTAINTIES

Sound risk management and control is an integral part of creating a sustainable business and delivering ongoing value for stakeholders. Failure to establish and sustain an effective firm-wide risk culture, and to adequately manage and control risks, leads to financial loss and damage to the Company's reputation and to the trust of the Company's stakeholders. The Board of Directors are ultimately responsible for adequate risk management and establishing an integrated and institution-wide risk culture. While ultimate responsibility resides with the CEO, the Board is also able to delegate general day to day business conduct to a number of committees such as the 'UK Management and Risk Committee', which is attended by senior managers and the AM UK Audit Committee, which is attended by various non-executive directors from the UK Group and with Group Internal Audit. Matters are escalated to the Board if of appropriate significance.

The Company is subject to the UBS Risk Management and Control Principles, which apply to the UBS Group, and are designed to support optimal risk-return decisions. Holistic governance together with aligned risk, compliance and finance processes are designed to help protect the Company from unacceptable damage to its financial strength, performance and reputation. Also, the risk management and control processes of the Company help to ensure that risk and return objectives are appropriately balanced

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

to achieve sustainable earnings growth within the risk appetite established by the Board of Directors of the Company.

The principal risks and uncertainties facing the Company are broadly grouped as – business risks, financial risks, operational risks and Natural Disaster Risks.

Business Risks
Like any business, the Company faces the risk of making poor business decisions, the risk of poor execution of those decisions, and the risk of inadequate resource allocation or resource constraints.

Risk	**Description**
Strategy	The risk of the firm's strategy failing to deliver the expected outcomes, earnings, and profitability can be influenced by both internal and external factors, including competitive, industry, regulatory & country and performance risk. The Company will only take risks which are consistent with the delivery of its strategy (and that of the AM division more broadly) and will continuously monitor internal and external environments, as well as the local and global regulatory landscape to identify new and emerging risks to the strategy. The Company seeks to avoid managing portfolios outside their stated investment process and investment guidelines. Whilst the management of investment portfolio risk and maintaining portfolio risks within given parameters is a core skill of the business, the risk that investment portfolios may underperform clients' investment objectives cannot be eliminated. As such the Company has a medium appetite for strategy risk as it is necessary to accept some volatility in earnings in the pursuit of its strategic objectives.
People risk	The risk that people are inadequately allocated, capacity constrained or unavailable. The Company does not have any employees and they all are seconded from its parent company, UBS Asset Management Holding Ltd. The Company actively takes measures to mitigate the loss of personnel that would result in an investment strategy or activity having to stop including succession planning, targeted engagement and development initiatives, employee wellbeing and the use of long-term incentives aligned to the performance of investment strategies and so the Company has a low appetite for people risk.
Group risk	The risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the group or by risks which may affect the financial position of the whole group (e.g. reputational contagion). The Company has a medium appetite for group risk as it is beneficial to continue to develop cross-business division relationships and necessary for the Company to rely on group infrastructure and services, however this is supported by appropriate control activities through the inter-entity outsourcing controls which are performed twice a year to review the quality, cost and risk associated with the services provided by Group Functions.

STRATEGIC REPORT (CONTINUED)

Financial Risks

Financial Risks	Risk Description
Capital adequacy	The risk that a firm has insufficient capital to comply with its regulatory requirements which are in place to ensure that a firm has sufficient financial resources to conduct its financial services business and a sufficient buffer to protect its investors. UK Investment Firm Prudential Regime ("IFPR") is a new prudential regime for investment firms that replaces UK CRR (Capital Regulatory Requirements). The Company has a low appetite for capital adequacy risk and will, at all times, maintain adequate capital resources to cover the risks the Company is exposed to and this is formally assessed as part of the AM UK ICAAP process *mentioned on page 4* – Capital Requirements. The Company would not tolerate a breach of regulatory capital in a stress scenario post management action and expects that if its capital risk appetite is breached in a stress scenario, management actions will prevent the Company from being out of appetite for more than 12 months.
Market risk	Market risk is the risk of loss arising from movements in market variables interest rates, exchange rates, equity, bond prices, volatilities and correlations. The Company does not actively take market risk to achieve its objective. The Company holds its capital in cash balances and gilt holdings, with direct exposure to market risk arising primarily from balances held in non-GBP currencies on the balance sheet. A movement in FX rates can lead to a change in value of these balance sheet positions when translated into GBP. The FX positions are generated from non-GBP management fees being accrued and only being translated into GBP at the time of the fee being settled. Likewise, any intra company transfer pricing for revenue and allocated costs from UBS group will be performed in group currency (USD) and will only be crystalised in GBP once settled in cash. For diversification purpose, the Company also holds short-maturity gilt investments (maximum 12-month maturity), which are held on balance sheet at amortized costs, However, the interest rate risk represents the risk to the value that would be achieved if they were to be sold before maturity where a potential stressed downside changes in value of GBP 525,000 due to an increase of 200 basis points, would be captured in the regulatory capital calculation. For more detail, refer to note 12: Financial instruments. The Company has a low appetite for interest rate risk.
Credit risk	Credit risk is the potential for loss arising on an obligor's failure to meet the terms of any contract or otherwise perform as agreed. The Company has credit risk on the amount of cash held in bank accounts, short-dated UK Government bonds (gilts) and on the trade debtors' balances. The bank accounts are with Standard and Poor's highly rated Barclays Bank UK plc (A-1) and J.P. Morgan Chase Bank N.A. (A+) and excess cash is placed as gilt holdings with the AA credit rating UK Government. Apart from that small cash balance is kept in National Bank of Bahrain for which credit risk is considered immaterial. The trade debtors credit risk is limited to the minority of instances where the management fee is not direct debited from the client. The clients are of high credit quality and assessed as a low probability of default. To date, the Company has not had any trade debtors that have subsequently defaulted. For more detail, refer to note 12: Financial instruments.
Concentration risk	The concentration of assets on the balance sheet to individual counterparties. The Company has a low-risk appetite for credit concentration risk and has greatly reduced its exposure in recent years by moving cash from JP Morgan and Barclays into holdings in UK Gilts. The remaining cash is split evenly

STRATEGIC REPORT (CONTINUED)

	between these two counterparties.
Liquidity and funding risk	The Company faces the risk of becoming unable to meet its liabilities as they become due for payment. Most payments that are made by the Company are matched by the incoming cash flows, but they would be suspended if the cash inflow was not received. The Company also holds 69% of its gross assets in cash and marketable securities so maintains high levels of liquidity to ensure there is no significant risk its liabilities cannot be met as they fall due. The Company may face delayed settlement risk where it would need to fund client settlements that are not received in a timely manner. For more detail, refer to note 12: Financial instruments.

Operational Risk
The Operational Risk Framework defines the universe of material compliance, conduct and operational risks, which can arise as consequences of our business activities and through external factors. The following taxonomies of the Operational Risk Framework were identified as being relevant for the Company.

A key underlying risk driver for the Company is the overall risk culture, which comprises aspects such as staff behaviour and mindset, accountability, resourcing, delineation of roles and responsibilities as well as supervision. This includes conduct risk, which is the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, undermines the integrity of the financial system, or impairs effective competition to the detriment of consumers. Because risk culture and conduct risk are firm-wide considerations, touching every function and each of our management and control frameworks, these risks are incorporated into the Operational Risk Framework and discuss in detail in ICAAP document as mentioned in capital requirements on page 4.

Natural Disaster Risks
A natural disaster is a major adverse event resulting from natural processes of the Earth and includes floods, hurricanes, tornadoes, volcanic eruptions, earthquakes, tsunamis, storms, and other geologic processes. The spread of the coronavirus COVID-19 is being treated as a natural disaster. The Company has now had almost 2 years' experience operating in this environment and has shown the Company can operate as normal from both an internal perspective (see crisis management plan below) and an external business view.

The AM UK Group also has a robust 'Crisis Management Plan' that ensures the business can continue to function in the event of a crisis, including a pandemic. The objective of this plan is to protect the business, including its employees, clients and shareholders by minimizing the impact of major operational and financial disruptions. To date, there has been no adverse effects on the Company and its ability to operate as usual.

Geopolitical Risk considerations
The Company does not have any direct or indirect proprietary investments in Russia or Ukraine. However, within the investment portfolios managed by the entity, there is less than 0.6% of total UK-managed or registered portfolios' AuM exposure to Russia and Ukraine as of 31 December 2021. Due to sanctions and the closure of Russian equity exchange in March 2022, Russian equity values in the portfolios have been written down to zero from 3 March 2022, with limited impact to the portfolios.

It should be noted that, given the investment risk in relation to these portfolios is borne by the funds' investors, the investment performance of these impacted instruments held within the portfolios has been assessed to have an immaterial impact on the entity's business performance and capital position, in relation to their exposure to Russia and Ukraine. While the sharp equity market downturn driven by the geopolitical crisis and uncertainty is expected to have an impact on the fee revenues and entity profitability, the impact is deemed not out of the ordinary course of business.

STRATEGIC REPORT (CONTINUED)

Overall UBS has a global franchise and only limited direct exposure to the region. With a diversified business model, robust risk management processes, and a very strong capital position, we are very well placed to handle any challenges or risks.

Given the serious nature of the developments in the Ukraine and the associated uncertainty in multiple respects, potential material operational risk exposure is possible. However, we are monitoring the situation closely and have a comprehensive Business Continuity Management program and Crisis Management framework in place, designed to prevent a wide variety of events from interfering with our critical operations.

Climate Risk
Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). The physical and transition risks from a changing climate contribute to a structural change across economies and, consequently, can affect banks and the financial sector through financial and non-financial impacts.

In March 2020, Group Risk Control established our firm's climate risk program to further integrate climate risk in the firm's risk management framework and standard processes. The program follows a multi-year roadmap to address regulatory expectations and is engaging with stakeholders and experts both internally and externally to further develop climate risk methodologies, to deliver on ongoing climate stress testing exercises and to build capacity to respond to climate risk management expectations.

We currently identify and manage climate risks in our own operations, our balance sheet, client assets and the supply chain.

To protect our clients' and our own assets from climate-related risks, we continued to drive the integration of climate-related risk into our standard entity and investment risk management framework, where applicable.

We have further integrated climate risk in:
- risk identification and measurement;
- monitoring and risk appetite setting;
- management; and
- reporting processes across the organization.

In May 2021, the UBS Group established a net-zero task force to help progress toward our ambition of reaching net zero by 2050.

In line with our firm-wide purpose, environmental, social or governance ('ESG') topics and the risks related to them are high on our agenda, particularly considering the increasing regulatory focus on ESG disclosure, climate-related stress testing and greenwashing, as well as the potential for new and diverse regulations being deployed across jurisdictions. We will continue to focus on emerging legal and regulatory provisions, as well as evolving best business practice standards and ensure that they are adopted in our processes and controls relating to provision of advice, investment suitability and product information (including marketing materials), for example to mitigate the risk of misrepresentation and / or potential greenwashing.

FUTURE DEVELOPMENTS

The Directors intend to continue to assess relevant opportunities to develop or expand the Company's activities provided these are consistent with the UBS Group AG's business strategy and direction.

STRATEGIC REPORT (CONTINUED)

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

Statement by the Directors in performance of their statutory duties in accordance with S172(1) of the Companies Act 2006.

The Company is required to comply with Section 172 (1) of the Companies Act 2006. Section 172 (1) is a part of the section of the Act which defines the duties of a company director and concerns the "duty to promote the success of the Company" for the benefit of its stakeholders whose interests are in the future success of the Company. Stakeholders include shareholders, employees, suppliers and the local communities affected by the Company's activities.

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole and, in doing so have regard (amongst other matters) to:

- likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- maintaining a reputation for high standards of business conduct, and
- a need to act fairly as between members of the company.

The following paragraphs summarise how the Directors fulfil their duties:

Purpose Strategy and consideration of consequences of decision for the long term
The global AM business has a highly differentiated global client offering, providing investment management products and services, platform solutions and advisory support to institutions, wholesale intermediaries, wealth management clients and retail via the direct dealing offerings.

The strategic focus for the AM business remains consistent with the previous year's strategic plan. This focuses on capitalizing on the areas where the Company has a leading position to drive further profitable growth and scale, namely in 'Sustainable and Impact Investing', 'China, key markets in Asia, and Emerging Markets', 'Private Markets and Alternatives' and 'Passive'. The Company aims to continue to achieve capital growth and/or income returns to investors, while being fully transparent and treating all customers fairly.

Culture and Conduct
The core behaviours of 'Collaboration', 'Accounting with Integrity' and 'Innovation' form part of the assessment process for all UBS Group employees that are performing activities for the Company. Evidence of performance in these areas forms part of that assessment and therefore has a direct impact on staff compensation. Additionally, all staff attest annually to compliance with key policies, including the 'Code of Conduct and Ethics'. Staff are also subject to various mandatory trainings each year which include the area of conduct and behaviour. The Boards monitor conduct violation statistics and would take action if necessary, using appropriate escalations. To date, this has not been required. There is also a widely publicised 'Whistleblowing' framework accessible to all staff and this operates from an independent team within UBS Business Solutions AG. The new Global CEO of UBS AG, who took office on 1 November 2020 and has since launched the UBS purpose statement: **"Reimagining the Power of Investing, Connecting people for a better world".**

There is a direct link between staff behaviours and compensation so there is a UBS Group remuneration committee to review compensation of staff. The non-executive directors of the Company (see governance below) also have a high-level overview to ensure reward is consistent with behaviour. Since December 2019, the board and senior managers are subject to the 'Senior Managers and Certification Regime' under the Financial Services and Markets Act 2000.

STRATEGIC REPORT (CONTINUED)

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (CONTINUED)

Governance
The Company benefits from having two independent Non-Executive Directors which enables independent constructive challenge. There is also an annual board effectiveness self-assessment that is undertaken for the Board and the various underlying sub-committees. The Audit Committee for the Company is chaired by an independent non-executive director.

Engagement with our Customers
The Company benefits from a UK AM supported client relationship team. This team conducts a client survey every two years with the last survey being in 2021 showing a stable overall satisfaction with UBS AM driven by satisfaction with relationship team, investment performance and ease to do business. The survey also provides a benchmark for the UK AM Group against the industry and drives improvement priorities which the Company benefits from. There is also the 'Product and Consumer Outcomes Committee' providing regular updates to the Directors of the Company.

Engaging with our Employees
The Company strives to ensure there are forums in place to encourage feedback and dialogue from its employees to maintain a strong connection and be able to react to their changing needs. This includes;

- In 2021, 76% of UBS employees globally participated in the 'Line Manager Effectiveness survey'. The results show consistently strong scores in all categories and across the Group with particularly high scores on team culture and strong engagement. The results can be broken down to different levels, e.g., local company level, providing insights and enabling the Company to direct resources or support to those areas where improvements are required.

- Rungway is an online tool which provides a forum for employees to be able to get advice on sensitive subjects, ask questions and share their experiences. Questions and experiences can be asked or shared either openly or anonymously and replies can be provided either publicly or privately. This remains active and is a tool for candid debate and feedback.

- The 'People Agenda' forum strives to connect staff with each other and with management through social, educational and information sharing events. Every area of the business presents to colleagues on what their function does, and this is in a relaxed forum to aid networking and knowledge sharing. Quarterly UK Asset Management specific town halls are also held to educate staff around strategy and the latest topics. This continues to foster a collegiate and open cultural environment.

- Globally the 'Grow Asset Management Initiative' has been launched seeking ideas relating to subjects such as training, recruitment, community and diversity. Impacts such as hard targets on community activity, for talent 80% of people wanted more training, but only 40% knew where to find it! Progress has been made on awareness by creating the AM people portal, where training can be found. The "use my wheel" advisory scheme was set up, where senior managers publicised career tips, and then nominate the next colleague to provide advice.

- 'Kudos' is a scheme enabling staff to highlight the achievements of their colleagues on a global basis, this is on-going and the points refresh annually. It is a widely publicised tool to encourage recognition of day to day positive behaviours.

Engaging with our Shareholder
The Company's shareholder is UBS Asset Management Holding Ltd. As part of UBS Group, the Company complies with internal policies and regulations which ensure that the shareholder is informed of the Company's activities on matters such as strategy, performance and governance. All Board of Directors are approved by the President CEO of the UBS Group.

STRATEGIC REPORT (CONTINUED)

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (CONTINUED)

Engaging with our Suppliers
Bi-annual reviews are undertaken with UBS Business Solution AG, a separate legal entity providing support services to the Company which includes finance, legal, IT, compliance, risk and operations. The delivery of these services is assessed against key performance indicators which have been graded as 'green' which means they have met the required service delivery expectations.

UBS Group has a robust centralised outsourcing process which involves performing the necessary due diligence on outsourcing arrangements, especially the areas of cyber and data security but ad-hoc reviews

can also be performed. This process is initiated once a year with the relevant 'Business Unit' associated with the outsourced services.

Engaging with our Community & Environment
The award winning 'Community Impact' programme has managed to successfully operate both globally and locally throughout the COVID-19 pandemic. This was made possible by switching from the usual face to face volunteering initiatives, to also remotely based volunteering. Participation for the UK was 49% for 2021 (2020: 30%).

Locally, there are very strong links with the Bridge Academy in Hackney and this is a major key community partnership. The Company also supports 'Well Grounded' which provide employment for refugees, amongst others. There has been an increase in on-line interview training and CV reviews for schools and those seeking employment. There was a plastic fishing in the Thames event for staff, where they also learnt about water pollution.

Effective 1 January 2022, the new AM Head of Sustainable Investing was appointed with responsibility to deliver AM's sustainability and impact strategy, including the execution of 'AM's Sustainable Investing 2025 initiative'. This initiative brings together workstreams from across AM, with the ambition to significantly increase Sustainable Investing focused assets through the launch of innovative new products as well as the repositioning of some of the existing capabilities.

As a founding signatory of the net zero commitment and the firm's ambition to become the financial provider of choice for clients who wish to mobilise capital towards the achievement of the UN's sustainability goals and the orderly transition to a low carbon economy, the Company converted the UBS Global Enhanced Equity Income Fund into an Article 8 fund to deliver on that ambition.

Engaging with our Regulators
There is an open and regular dialogue with the FCA that keeps them informed of the key activities and strategic developments of the Company.

Approved by the Board of Directors on 25 April 2022 and signed on their behalf by:

R. Beechey

Director

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of UBS Asset Management (UK) Ltd (the "Company") for the year ended 31 December 2021.

DIVIDENDS

An interim dividend was paid during the year of £22,930,000 (2020 – £11,700,000). The Directors do not recommend payment of a final dividend (2020- £nil).

SHARE CAPITAL

On 22 December 2021 the Directors issued and allotted 15,000,000 Ordinary shares of £1.00 each fully paid for cash at par to the Company's parent UBS Asset Management Holding Ltd

CONSOLIDATED FINANCIAL STATEMENTS

The Company does not produce consolidated financial statements, being exempt from this requirement under s401 of the Companies Act (2006). The Company was, at the end of the year, a wholly owned subsidiary of UBS Group AG, a company incorporated in Switzerland. This is the largest group company preparing consolidated financial statements which includes the Company's financial statements.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within this report. The financial position of the Company and its liquidity position are reflected on the balance sheet and there is a going concern assessment on page 23.

The Directors have concluded that the Company has adequate resources to continue in operational existence for the 12 months from the date on which the financial statements are approved. For this reason, the Company will continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The Directors who served during the year and up to the date of signing the financial statements were as follows:

I. R. Ashment
R. Beechey
E. C. S. Byrne
P.A. Davies (Non-executive)
K.M. Jecks (Non-executive)

INSURANCE OF DIRECTORS

UBS AG, a UBS Group company, maintains a third-party indemnity provision in favour of all of its Directors against liability in respect of proceedings brought by third parties. This is for its Directors in respect of their duties as Directors of the Company

CHARITABLE AND POLITICAL CONTRIBUTIONS

There were no charitable donations nor any contributions for political purposes made by the Company during the year (2020: nil).

DIRECTORS' REPORT (CONTINUED)

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which came into effect for reporting periods beginning on or after 1 April 2019, has implemented the UK Government's policy on Streamlined Energy and Carbon Reporting ("SECR"). This regulation requires the Company to report on its annual UK energy use in kilowatt-hours ("kWh") relating to purchased electricity and gas consumption for 5 Broadgate in London, transport fuel used for business purposes and the associated greenhouse gas emissions in tonnes of carbon dioxide equivalent.

The Company falls into scope of this regulation as it is deemed 'large' (as per s465 and s466 of the Companies Act 2006) and its energy consumption exceeds 40,000 kWh.

The purpose of this regulation is to increase awareness of the energy usage by the Company and to adopt energy efficient measures to ultimately reduce the impact the Company has on climate change.

The Company is required to disclose the following:

- The methodology used for the carbon emissions calculation.
- The annual UK energy used (in kWh) relating to gas, purchased electricity, transport fuel and the associated greenhouse gas emissions (in tonnes of carbon dioxide equivalent (tCO2e)).
- An emissions intensity ratio.
- A narrative of measures taken to improve energy efficiency.

Methodology

The following disclosure shows the Company's energy usage and accompanying greenhouse gas emissions as prepared using the 'Greenhouse Gas Reporting Protocol – Corporate Standard'. The 2021 UK Government greenhouse gas conversion factors have been used to convert the kWh used, per consumption scope, into tonnes of CO2e for this disclosure.

The Company is located on the 12th floor of 5 Broadgate, London. Natural gas consumption (scope 1) has been calculated using the total annual invoiced consumption of 5 Broadgate, apportioned to the 12th floor based on the ratio of the gross internal area of the 12th floor to the total building's gross internal area. Electricity consumption (scope 2) has been calculated based on sub-metering data for lighting, small power, associated heating, ventilation and air conditioning services for this floor. Business travel in employee-owned vehicles (scope 3) comes from the mileage reimbursement report.

The calculated gas consumption, electricity purchased, and mileage was then internally allocated within the UK Group using the cost consumption model (refer to Note 3: Administrative expenses) where 93% has been allocated to the Company.

DIRECTORS' REPORT (CONTINUED)

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (CONTINUED)

Annual UK energy use (in kWh) relating to gas, purchased electricity, transport fuel and the associated greenhouse gas emissions (in tonnes of carbon dioxide equivalent (tCO2e))

GHG emissions and energy use data	2021	2020
Scope 1 emissions from activities which the company own or control including combustion of fuel & operation of facilities (tCO2e)	60.94	62.11
Scope 2 emissions from the purchase of electricity, heat, steam, and cooling purchased for own use (location-based) (tCO2e)	153.75	156.08
Scope 3 Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO2e)	4.11	3.68
Total gross emissions (tCO2e)	**218.81**	**221.87**
Energy consumption used to calculate above emissions (kWh)	1,073,563	1,019,152
Intensity Ratios		
tCO2e per million £ revenue	1.382	1.281*
tCO2e per m2	0.046	0.046

**Note that 2020 tCO2e per million £ revenue is revised based on actual revenue of the company (From 1.156 to 1.281). This was proportionately allocated between the company and UBS Asset management UK Ltd in 2020.*

In 2021, UBS Group founded Group Sustainability and Impact to support the net zero commitment and facilitate the firm's ambition to become the financial provider of choice for clients who wish to mobilise capital towards the achievement of the UN's sustainability goals and the orderly transition to a low carbon economy. There are three focus areas – planet, people and partnerships. UBS Group in-house activities to reduce energy use and GHG emissions from our own operations sit within this framework.

The actions the Company has taken during the reporting period to reduce energy consumption and improve climate change are as follow:

- A review of all major cooling and heating plants has been implemented to match building plant capacity more closely to actual building cooling and heating loads. The action to isolate/remove relevant plant is planned for completion in 2022.

- A design study to implement a major re-structuring of the transformer capacity serving the building's Uninterrupted Power Supply (UPS) systems is nearly completed. It aims to reduce the connected load serving the UPS systems, thus reducing the energy lost through transformer "standing iron losses". The action to isolate relevant plant is planned for completion in 2022.

DIRECTORS' REPORT (CONTINUED)

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (CONTINUED)

- The second phase of the lighting control system modifications were completed in November 2021. This should virtually eliminate the out-of-hours illumination of the building interior.

- A design study to implement the second phase of reducing the UPS system module capacity for the building has been completed. Operational/Project instruction notices are to be prepared for the second phase of this work to be continued.

- The works to adjust the control strategies for cooling units in switch-rooms, UPS rooms, battery rooms and hub and critical equipment rooms and where possible shutdown cooling units is imminent and planned for completion in 2022.

In addition to the above initiatives, UBS AG operates with a certified 'global ISO 50001 energy management system' which the '5 Broadgate, London' office is covered under. ISO 50001 provides a framework for establishing an energy management system, which helps UBS to improve energy performance, including energy efficiency, use, and consumption. UBS AG are supplied by a Renewable Energy Guarantee of Origin (REGO) backed electricity tariff in the UK.

RE-APPOINTMENT OF AUDITORS

Ernst & Young LLP, Chartered Accountants and Registered Auditor, have indicated their willingness to continue in office and, as the Company has dispensed with the holding of annual general meetings, as permitted by the Companies Act 2006 ('the Act'), shall continue in office in accordance with Section 487 of the Act or, if annual general meetings are re-introduced, until the conclusion of the next annual general meeting and in which case a resolution for their re-appointment will be proposed.

Approved by the Board of Directors on 25 April 2022 and signed on their behalf by:

R. Beechey

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the financial statements and the Director's report in accordance with applicable United Kingdom 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, including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 these financial statements, the Directors are required to:

- Select suitable and appropriate accounting policies and then apply them consistently.
- Present fairly the financial positions and financial performance of the Company.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Make judgements and accounting estimates that are reasonable.
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 adequate 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.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the Directors at the date of Board approval of this Report and the Accounts has confirmed that:

- So far as they are aware, there was no relevant audit information of which the auditors were unaware; and,

- They have taken all the steps they ought to have taken as a Director in order to make themselves 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 418 of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBS ASSET MANAGEMENT (UK) LTD

Opinion

We have audited the financial statements of UBS Asset Management (UK) Ltd for the year ended 31 December 2021 which comprise the Income statement, the Balance sheet, the Statement of changes in equity and the related notes 1 to 15 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 101 "Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).
In our opinion, the financial statements:
give a true and fair view of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.
Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.
Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.
We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBS ASSET MANAGEMENT (UK) LTD (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
the financial statements are not in agreement with the accounting records and returns; or
certain disclosures of Directors' remuneration specified by law are not made; or
we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
Our approach was as follows:
We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulation in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including the rules of the Financial Conduct Authority ("FCA").

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBS ASSET MANAGEMENT (UK) LTD (CONTINUED)

We understood how UBS Asset Management (UK) Ltd is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures relating to these areas and corroborated this by reviewing supporting documentation. We assessed the entity level control framework of the Company to consider if appropriate measures are in place around fraud prevention. We also reviewed correspondence with relevant authorities.
We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenues to be a fraud risk. We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition. We tested specific transactions back to source documentation or independent confirmations, ensuring appropriate authorisation of the transactions.
Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journal entries identified by specific risk criteria.
The Company is regulated as an investment manager under the supervision of the FCA. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
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.

Ernst + Young LLP.

Mike Gaylor
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 April 2022

INCOME STATEMENT
For the year ended 31 December 2021

	Notes	2021 £000	2020 £000
TURNOVER	2	158,326	173,139
Administrative expenses	3	(141,035)	(146,842)
OPERATING PROFIT		17,291	26,297
Gains/(losses) from foreign exchange differences		(1,571)	309
Interest income and similar charges		(26)	190
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,694	26,796
Taxation on profit on ordinary activities	6	(2,922)	(3,826)
PROFIT FOR THE FINANCIAL YEAR		12,772	22,970

All of the amounts above are in respect of continuing operations.

The notes on pages 23 to 33 form an integral part of these financial statements

BALANCE SHEET
As at 31 December 2021

	Notes	2021 £000	2020 £000
NON-CURRENT ASSETS			
Debtors and other receivables	7	597	780
Investments	8	-	-
CURRENT ASSETS			
Debt instruments at amortized cost	9	63,604	49,342
Cash and cash equivalents	10	78,734	68,720
Debtors and other receivables	7	61,350	79,853
		203,688	197,916
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	11	(44,785)	(44,038)
TOTAL NET ASSETS		159,500	154,658
CAPITAL AND RESERVES			
Called up share capital	13	140,000	125,000
Retained earnings		19,500	29,658
EQUITY SHAREHOLDER FUNDS		159,500	154,658

Approved and authorised for issue by the Board of Directors on 25 April 2022 and signed on its behalf by:

Ruth Beechey

Director

The notes on pages 23 to 33 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share Capital *£000*	Retained Earnings *£000*	Total Equity *£000*
At 1 January 2020	125,000	18,388	143,388
Profit for the financial year	-	22,970	22,970
Dividend Paid	-	(11,700)	(11,700)
At 31 December 2020	125,000	29,658	154,658
Issue of Ordinary shares	15,000	-	15,000
Profit for the financial year	-	12,772	12,772
Dividend paid	-	(22,930)	(22,930)
At 31 December 2021	140,000	19,500	159,500

The notes on pages 23 to 33 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
As at 31 December 2021

1. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the financial statements of UBS Asset Management (UK) Ltd (the "Company") are described in this note. These policies have been applied consistently in all years presented unless otherwise stated. The Company is a subsidiary of UBS Asset Management Holding Ltd (the "Immediate Parent Company"). The group into which the Company is consolidated and the ultimate parent undertaking and controlling party is UBS Group AG, ("UBS Group") a company incorporated in Switzerland. This is the largest group company preparing consolidated financial statements which includes the Company's financial statements. The Asset Management UK Group ("UK Group") includes the Company, the Immediate Parent Company, UBS Asset Management Holding (No.2) Ltd, UBS Asset Management Funds Ltd, UBS Asset Management Life Ltd and the associated subsidiaries. The Asset Management UK Group, excluding UBS Asset Management Life Ltd, is referred to as ("AM UK Group").

Basis of accounting
The financial statements have been prepared in accordance with Financial Reporting Standard 101 ("FRS 101") for all periods presented. FRS 101 sets out an optional reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements for the company that otherwise apply the recognition, measurement and disclosure requirements of UK-adopted IFRS.

The Company has taken advantage of the following exemptions under FRS 101:

(a) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
(b) the requirements of paragraphs 10(d), 10(f), 16, 38A-38D, 40A-40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
(c) the requirements of IAS 7 Statement of Cash Flows
(d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
(e) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
(f) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Going concern
The Company continues to adopt the going concern basis, as disclosed in the Directors' report on page 12 and this was assisted by the following assessment. The AM UK Group currently holds a regulatory capital ratio of 127% of the minimum capital requirement and the Company is also well capitalised to support any adverse shocks with over £140m in share capital and £142m is as high-quality liquid assets. Based on the 2021 AM UK Group plan, which is calculated from the 2021 actual AUM, the AM UK Group could absorb a reduction in revenue by up to 29% before it would breach its regulatory capital requirement.

It is also noted on page 7 of the Strategic Report – Natural disaster risk, that the Company has been able to operate as usual during the COVID-19 pandemic.

Based on this, the Directors believe that the regulatory capital requirements will continue to be met, the Company will have sufficient liquidity to meet its liabilities for the next 12 months from the date on which the financial statements are approved and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgments, estimates and assumptions
Preparation of these Financial statement requires management to apply judgment, make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Such estimates and assumptions are based on the best available information and are regularly reassessed.

Consolidation
The Company does not produce consolidated financial statements as the Company is exempt from the requirement under S401 of the Companies Act (2006).

Foreign currencies
The Company's financial statements are presented in pound sterling, which is also the Company's functional currency. 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. All differences are taken to the income statement.

Turnover
Turnover stated net of value added tax, and rebates, comprises management fees, performance fees, and other charges earned from providing investment and fund management services to clients and other UBS Group entities.

Turnover is earned primarily from activities based in the United Kingdom ("UK"). The Company services, and distributes to, UK and overseas clients, as well as acting as a global hub for portfolio management for various investment strategies.

Management fees are recognised on an accrual basis. Performance fees are recognized when the related performance obligation has been satisfied and to the extent that it is highly probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Incremental costs incurred from obtaining revenue generating contracts are recognised as an asset on the balance sheet and amortised over the life of the contract and are treated as contra revenue against the fee revenue received from the contract (refer to Note 7: Debtors and other receivables).

Funding and management charge with the Immediate Parent Company
The Company has a funding relationship with its Immediate Parent Company to provide funding to cover its day-to-day operating expenditure. There is also a separate management charge from the Immediate Parent Company to the Company for operating services provided by the Immediate Parent Company (refer to Note 3: Administrative expenses).

Interest income
Interest income is recognised when received using the effective interest rate method.

Investments
Investment in subsidiaries is valued at cost less impairment. Investments held on behalf of clients are excluded from these financial statements.

Administrative expenses
Administrative expenses incurred are recognised on an accrual basis.

ACCOUNTING POLICIES (CONTINUED)

Debtors and other receivables
Debtors are amounts due to the Company in the ordinary course of business and include receivables in relation to management and performance fees. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

At recognition, debtors are initially measured at fair value but are then subsequently measured at amortised cost and form part of the expected credit loss assessment (see expected credit loss provision below). Debtors include receivables in relation to management and performance fees.

Creditors
Creditors are obligations to pay for services that have been acquired in the ordinary course of business. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Creditors are recognised initially at fair value and subsequently measured at amortised cost.

Corporate taxation
Corporation taxation payable on profits is recognized as an expense based on the applicable tax laws in each jurisdiction in the period in which profits arise. Deferred tax assets are recognized for temporary differences that will result in deductible amounts in future periods, but only to the extent that it is probable that sufficient taxable profits will be available against which these differences can be utilized. Deferred tax assets are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates at the balance sheet date. Tax assets and liabilities of the same type (current or deferred) are offset when they arise from the same tax reporting entity, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realized simultaneously. Current and deferred taxes are recognized as a tax benefit or expense in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise balances with an original maturity of three months or less, including cash and money market products.

Debt instruments at amortized cost
A debt instrument is measured at amortized cost if it meets the following conditions:

- It is held within a business model that has an objective to hold financial assets to collect contractual cash flows; and

- The contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Refer to Note 9 - Debt instruments at amortised cost, which meets the above criteria to be measured at amortised cost.

Expected credit loss provision
Debt instruments measured at amortised cost are assessed for their expected credit loss ("ECL") in the 12 months after the reporting date. ECL is the probability-weighted estimate of credit losses (i.e., the present value of all cash shortfalls) over the expected life of a financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. ECL recognises the shortfall of cash flows that would result if default occurring within 12 months of the reporting date, weighted by the risk of that default occurring.

The Company holds AA credit rated UK Government issued gilts with a maturity profile of typically less than 12 months. The ECL has been assessed as being immaterial.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2021

2. TURNOVER

	2021	*2020*
	£000	*£000*
Remuneration received for providing investment services	157,243	170,398
Other income	1,083	2,741
	158,326	173,139

Turnover comprises management fees, performance fees, and other fees earned from providing investment services to other UBS Group entities. Turnover is earned primarily from activities based in the UK.

3. ADMINISTRATIVE EXPENSES

	2021	*2020*
	£000	*£000*
Management charge paid to the Immediate Parent Company	87,956	137,415
Other expenses paid to other UBS Group entities	52,540	9,387
Other	539	40
	141,035	146,842

The management charge paid to the Immediate Parent Company is to remunerate it for the services provided to the Company. The Immediate Parent Company provides services to the Company, UBS Asset Management Funds Ltd, and UBS Asset Management Life Ltd. These services include both personnel and the related support costs. These are recharged at cost to the Company based on the proportion of total revenue of both the Company and the revenue of UBS Asset Management Funds Ltd, after deducting a fixed fee payable by UBS Asset Management Life Ltd.

Other expenses paid to other UBS Group entities is driven by new transfer pricing agreement which resulted in recharge of personnel and administrative expenditure by various other UBS group entities for the services provided by them on an arm's lengths principle.

Other expenses are related to increase in irrecoverable VAT due to the reverse charge impact for new global transfer pricing regime.

4. OPERATING PROFIT

	2021	*2020*
	£000	*£000*
This is stated after charging: Auditors' remuneration		
- audit of the financial statements	100	103
- audit related assurance services	230	235
Total	330	338

5. DIRECTORS AND EMPLOYEES

The Company had no employees during the year (2020 – nil).
Directors' emoluments are payable by another company of the UK Group and are not separately recharged to the Company. The below disclosures are therefore in respect of Directors' emoluments in respect of qualifying services to the UK Group rather than to the Company alone.

Emoluments of Directors	*2021* *£000*	*2020* *£000*
Aggregate remuneration in respect of qualifying services to companies of the UK Asset Management Group	3,268	2,704
Accrued pension at the end of the year	3	15
Total	3,271	2,719
	No.	*No.*
Directors to whom benefits are accrued under defined contribution schemes	1	3

Highest paid Director	*2021* *£000*	*2020* *£000*
Aggregate remuneration	1,830	1,425
Accrued pension at the end of the year	-	-
Total	1,830	1,425

Transactions with Directors and related persons

Directors are entitled to deal in securities with UBS Group companies in accordance with the Group's personal account dealing rules. These provide that the Directors obtain prior permission and must comply with restrictions designed to avoid conflicts of interest or dealing of a speculative nature. There had been no material transactions with Directors and related persons during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2021

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

a) The charge for taxation comprises:

	2021 *£000*	*2020* *£000*
UK Corporation Tax:		
Current Year	2,917	3,788
Prior Year adjustments	5	38
Total tax charge on profit on ordinary activities	2,922	3,826

b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%) and is explained below.

	2021 *£000*	*2020* *£000*
Profit on ordinary activities before tax	15,694	26,796
Total tax charge at standard UK Corporation Tax rate of 19% (2020 – 19%)	2,982	5,091
Effects of:		
Transfer pricing adjustments	(65)	(1,303)
Adjustments in respect of prior periods	5	38
Total tax charge on profit on ordinary activities	2,922	3,826

7. DEBTORS

	2021 *£000*	*2020* *£000*
Non- Current Assets		
Asset recognised for costs incurred to fulfil a contract	597	780
Current Assets		
Accrued interest on cash at bank	43	496
Amounts owed by UBS Group entities	38,608	49,927
Asset recognised for costs incurred to fulfil a contract	184	184
Trade debtors	22,515	29,247
	61,350	79,853

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2021

8. INVESTMENTS

	2021 £000	2020 £000
Unlisted investments:		
At 1 January	-	-
Write off	-	-
At 31 December	-	-

Shares in subsidiary undertakings at cost:		
UBS C-GREFS Holdings (UK) Blocker GP Ltd	-	-
UBS Infrastructure Fund GP UK Ltd (£2)	-	-
UBS Triton General Partner Ltd (£100)	-	-
UBS MC General Partner – UBS-PREMF Limited (£51)	-	-
UBS C-GREFS General Partner Ltd (£100)	-	-
Phildrew Nominees Limited (£50)	-	-

The above subsidiaries are wholly owned with the exception of UBS MC General Partner – UBS-PREMF Limited which is majority owned. The Company holds a 51% controlling interest in the subsidiary, with the remaining 49% being held by a single third party. The Company also jointly owns Phildrew Nominees Limited with its Immediate Parent Company.

Apart from the above investment the Company is operating a branch "UBS Asset Management (UK) Ltd Bahrain Branch" having no trading activity with annual licence fees cost of BHD 13k paid by the company.

9. DEBT INSTRUMENTS AT AMORTIZED COST

	2021 £000	2020 £000
UK Gilts - amortized cost value	63,604	49,342
UK Gilts - fair value	63,534	49,341

Excess cash received from the share capital proceeds are invested in AA rated UK Gilts with a maturity profile of typically less than 12 months. This is to reduce both credit and concentration risk (see Note 12). Due to the short term nature of the investments, the amortised cost value is similar to its fair value which has been determined from quoted prices in an active market.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2021

10. CASH AND CASH EQUIVALENTS

	2021	*2020*
	£000	*£000*
Barclays Bank UK plc.	63,051	29,110
J.P. Morgan Chase Bank N.A.	15,683	39,610
	78,734	68,720

Excess cash received from the Share Capital proceeds is placed at a Barclays Bank UK plc current account and at J.P. Morgan Chase Bank N.A. as short term marketable securities in the form of an instant access liquidity management account.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	*2020*
	£000	*£000*
Amounts owed to UBS Group entities	(38,406)	(40,201)
Accruals and deferred income	(1,185)	(595)
Value added taxation payable	(464)	(833)
Corporate taxation payable - HM Revenue & Customs	(4,730)	(2,409)
	(44,785)	(44,038)

12. FINANCIAL INSTRUMENTS

RISK MANAGEMENT

Sound risk management and control is an integral part of creating a sustainable business and delivering ongoing value for stakeholders. Failure to establish and sustain an effective firm-wide risk culture, and to adequately manage and control risks, leads to financial loss and damage to our reputation and to the trust of our stakeholders. The Board of Directors are ultimately responsible for adequate risk management and establishing an integrated and institution-wide risk culture.

The Company is subject to the UBS Risk Management and Control Principles, which apply to the UBS Group, and are designed to support optimal risk-return decisions. Holistic governance together with aligned risk, compliance and finance processes are designed to help protect the Company from unacceptable damage to its financial strength, performance and reputation. Also, the risk management and control processes of the Company help to ensure that risk and return objectives are appropriately balanced in order to achieve sustainable earnings growth within the risk appetite established by the Board of Directors of the Company.

Debt instruments at amortized cost
The Company invests in fixed interest UK Government Gilts with a maturity of typically less than one year. The purpose of this investment is to reduce overall credit concentration risk whereby in prior periods significant amount of cash was held in bank accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2021

12. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk
The maximum credit risk exposure relating to debt instruments is represented by the carrying value as at the balance sheet date. As at 31 December 2021, the debt instruments have a credit rating of AA based on Standard & Poor's credit ratings.

Trade debtors contain both the accrued and invoiced management and performance fees. The majority of this balance relates to funds and mandates where there is a daily accrual, by the underlying fund, to provide for the fee receivable against the assets under management. The Company will then invoice the client on a monthly basis and payment is received promptly via a direct debit. Credit risk is reduced given the fees are invoiced more frequently and the Company also has recourse to the asset base as opposed to the client directly.

The remaining clients where a direct debit is not taken, this gives rise to credit risk. These clients are of a low default risk (approximately 1.25%) as they are predominately local and government pension schemes, sovereign wealth funds and central banks. Historically, the Company may experience delays in payment, but the Company so far has not had any trade debtors default. To date, there is currently £389,000 of debtors that are past due but there are no indications that this will not be received in full.

Currency risk
Fees are paid to the company in several currencies. These differ from the reporting currency of the company, which is GBP, and thereby create a currency risk. The currency balances typically accrue over a short period of time (i.e. in days) before being received and immediately converted into GBP to mitigate the risk.

Interest rate risk
The holding of UK Gilts gives rise to interest rate risk. Whilst these instruments are intended to be held to maturity and are accounted for on that basis, the interest rate risk represents the risk to the value that would be achieved if they were sold before maturity. In order to assess this as at 31 December 2021, the holdings were subjected to possible changes to interest rates and the impact on the income statement of those changes reflected in the below sensitivity analysis:

	Impact on profit before tax
31 December 2021	£000
+200 basis points	(525)
-200 basis points	525

Liquidity risk
Liquidity risk is the risk that a firm, although solvent, does not have sufficient available financial resources to meet its obligations as they fall due. The Company ensure that it also comply with the UBS Group Liquidity and Funding policies.

With over 69% (2020: 60%) of gross assets held in cash and marketable securities, the Company maintains very high levels of liquidity. The Directors ensure the Company maintains liquidity resources which are adequate (in both amount and quality) to ensure that there is no significant risk that liabilities cannot be met as they fall due.

All debt instruments have a maturity of less than one year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2021

12. FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HIERARCHY

All issued debt instruments, £63,604,000, have been categorised as Level 1 for fair value hierarchy purposes.

The Company uses the following valuation techniques for determining and disclosing the fair value hierarchy of its financial instruments:

Quoted market prices in active markets - ("Level 1")
Valuation technique: Quoted (unadjusted) prices in active markets for identical assets or liabilities. These are investments whose fair value is determined using observable, unadjusted quoted prices in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. Listed debt and equities securities in active markets and quoted unit trusts in active markets would typically be classified within Level 1 of the fair value hierarchy.

Internal models with significant observable market parameters - ("Level 2")

Valuation technique: Other techniques for which the lowest level inputs that are significant to the fair value measurement, either directly or indirectly.

These are investments whose fair value is determined using inputs, other than quoted prices included within Level 1 inputs, that are observable either directly or indirectly through corroboration with market data.

Level 2 inputs include the following:

- Evaluated prices based on a compilation of primary observable market information or a broker quote in a non-active market
- Prices based on a Net Asset Value ("NAV") from a fund manager
- Quoted prices for similar (i.e. not identical) assets in active markets
- Inputs other than quoted prices that are observable for the asset (for example, benchmark yields, base spreads, adjustment for corporate actions and reported trades)

Money market vehicles, unlisted fixed income securities, valued using third-party fair value models, unlisted collective investment vehicles and most derivatives are generally classified within Level 2 of the fair value hierarchy.

Internal models with significant unobservable market parameters - ("Level 3")
Valuation technique: Valuation techniques for which the lowest level input which is significant to the fair value measurement is unobservable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2021

13. CALLED UP SHARE CAPITAL

	2021	*2020*
	£000	*£000*
Allotted and fully paid:		
140,000,000 (2020: 125,000,000) Ordinary shares of £1 each	140,000	125,000

Issue of ordinary shares
In December 2021, the general meeting of shareholders approved the issue of 15,000,000 ordinary shares at £1 each to meet the new capital requirement under UK Investment Firm Prudential Regime ("IFPR").

14. PARENT UNDERTAKINGS

The Company's immediate parent undertaking is UBS Asset Management Holding Ltd. The group into which the Company is consolidated and the ultimate parent undertaking and controlling party is UBS Group AG, a company incorporated in Switzerland. This is the largest group company preparing consolidated financial statements which includes the Company's financial statements.
Copies of the financial statements of UBS Group AG can be obtained from:

Company Secretary
UBS AG London Branch
5 Broadgate
London EC2M 2QS

Or can be downloaded from:

https://www.ubs.com/global/en/investor-relations/financial-information/annual-reporting.html

15. EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events including below that have been identified which remain to be adjusted in the financial statements and supporting notes.

Geopolitical Risk considerations
The company does not have any direct or indirect investments in Russia or Ukraine. However, within the investment portfolios managed by the subsidiary of the entity, there is a small exposure to Russia and Ukraine assets in certain portfolios. The investment risk in relation to these portfolios is borne by the funds' investors, therefore, the investment performance of these impacted instruments held within the funds has been assessed to have an immaterial impact on the entity's subsidiaries business performance and capital position. For details Please refer Principal Risks and Uncertainties section on page 4.