

UBS Asset Management (UK) LTD
Annual Report and Financial Statements
for the year ended 31 December 2020

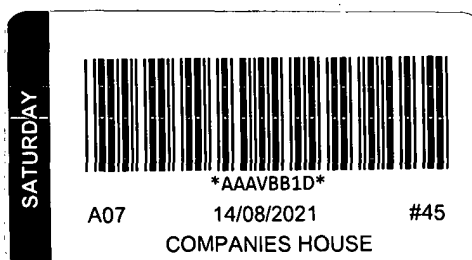


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UBS ASSET MANAGEMENT (UK) LTD

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
25 Churchill Place
Canary Wharf
London
E14 5EY

REGISTERED OFFICE

5 Broadgate
London
EC2M 2QS

UBS ASSET MANAGEMENT (UK) LTD

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 2020.

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 2020. This has been prepared in compliance with the provisions of Section 414C of the Companies Act 2006 and also 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 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 the group into which the Company is consolidated and the ultimate parent undertaking and controlling party and is a company incorporated in Switzerland. This is the largest group company preparing consolidated financial statements. This includes 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 £22,970,000 (2019 – £10,200,000). An interim dividend was paid during the year of £11,700,000 (2019 – £18,300,000). The Directors do not recommend the payment of a final dividend (2019 – nil).

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

	2020 £000	2019 £000	Change %
Turnover	173,139	139,726	24%
Administrative expenses	(146,842)	(128,166)	15%
Operating profit	26,297	11,560	127%
Profit for the financial year	22,970	10,200	125%
Shareholder equity	154,658	143,388	8%

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 recently acquired O'Connor investment capability. The Company continues to experience industry headwinds, such as a move by investors from high margin active strategies to lower margin passive strategies and fee compression across all product types. There was also a significant fall in assets under management (AUM) during Q1'20 relating to the COVID-19 pandemic but this has since recovered during the year. Despite these factors, turnover has increased significantly due to a 20% increase in AUM, driven equally by improved market performance, net new money ("NNM") and the business transfer from UBS O'Connor Limited to the Company on 31 October 2020.

The business transfer, mentioned above, was between two companies that are under the same common control sharing the same ultimate parent company. This transfer included the transfer of the net assets at book value as well as the benefit of the sub-advisory agreement between the contractual investment manager, UBS O'Connor LLC and the UK domiciled sub-manager, UBS O'Connor Limited. This agreement is to provide asset management services to investors through the management of alternative investment funds.

CAPITAL REQUIREMENTS

The Directors regularly assess the implications of the Capital Requirements Regulation 575/2013 ("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 Holding Ltd, UBS Asset Management Funds Ltd and the Company, referred to as the ("AM UK Group") and this group excludes UBS Asset Management Life Ltd. This is in accordance with the Capital Requirement Directive 2013/36/EU ("CRD").

The ICAAP is an important tool for the Board of Directors and senior management to manage the capital position of the firm on an ongoing basis throughout the year, the Board of Directors are of the opinion that the 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 'Management and Risk Committee', which is attended by senior managers. Matters are escalated to the Board if of appropriate significance. The Board has two non-executive directors who attend the quarterly Audit Committee meetings along with Group Internal Audit and Ernst & Young LLP, the Company's auditor.

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.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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	Risk Description
Strategy	Strategy risk, the risk that a strategy will result in losses and is inherent in all strategies so doesn't necessarily mean the chosen strategy is flawed. The Company accepts that it has a medium appetite for strategy risk, as this is necessary to accept some volatility in earnings in the pursuit of its strategic objectives. However, the Company will only take risk that is 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 its strategy.
People risk	The risk that people, which are its main resource, are inadequately allocated or capacity constrained.
Group risk	Group risk is 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 UBS Group or by risks which may affect the financial position of this whole group (e.g. reputational contagion).

Financial Risks

Financial Risks	Risk Description
Capital adequacy	The Company has a low appetite for capital adequacy risk, the risk the Company will breach its regulatory capital requirements. The Company 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 – <i>Capital Requirements</i> .
Market risk	Market risk is the risk of loss arising from movements in market variables such as interest rates, exchange rates and equity indices. The Company's reporting currency is GBP so has foreign exchange ("FX") exposure on the non-GBP currency fees that are accrued versus the amount that is received and then immediately transferred to GBP.
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. 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	Excess cash is held at Barclays Bank UK plc, J.P. Morgan Chase Bank N.A. and is also invested in short-term UK Government issued gilts.

STRATEGIC REPORT (CONTINUED)

Interest rate risk	The Company's gilt holdings are intended to be held to maturity and are accounted for on that basis. 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 change in value of GBP 479,000 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.
Liquidity and funding risk	<p>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 60% 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.</p> <p>The Company may face delayed settlement risk where it would need to fund client settlements that are not received in a timely manner.</p> <p>For more detail, refer to note 12: Financial instruments.</p>

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. All 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.

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 novel coronavirus COVID-19 is being treated as a natural disaster. The Company has now had 12 months 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 (refer to Note 1: Accounting policies – going concern).

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.

IMPACT OF BREXIT ON THE COMPANY

The UK had voluntarily withdrawn from the European Union ("EU") on 31 January 2020, under a transitional withdrawal agreement which ended on 31 December 2020, so the UK has now formally exited the EU. Except for the delegation and portfolio management note below, currently this exit has not impacted the underlying business of the Company but the development of these trade negotiations will continue to be monitored by the directors.

Delegation and Portfolio Management

The asset management industry as a whole welcomed the execution of the Memoranda of Understanding between the FCA and various National Competent Authorities in 2019 and the further announcement during 2020, by the European Securities & Market Authority ("ESMA") that this will remain in force.

STRATEGIC REPORT (CONTINUED)

The review of the delegation of portfolio management services proposed by the ESMA will also be carefully monitored.

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.

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, of which the Company is a part, is led by Suni Harford, who is the head of UBS Asset Management AG and, who took office in 1 October 2019. 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.

Following this appointment, the overall UBS Asset Management AG strategy has undergone a review and the impact of this review led to some slight strategic changes, none of which had significant impact on the Company.

This focuses on capitalising on the areas where the Company has a leading position to drive further profitable growth and scale, namely 'Sustainable and Impact Investing', 'Private Markets' and 'Alternative investments', including; Indexed and Alternative Beta, China, Wholesale and Investment Solutions. The Company aims to continue to achieve capital growth and/or income returns to investors, while being fully transparent and treating all customers fairly.

STRATEGIC REPORT (CONTINUED)

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (CONTINUED)

Culture and Conduct

The core behaviours of 'Collaboration', 'Integrity' and 'Challenge' 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 monitors 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, Ralph Hamers who took office on 1 November 2020, is seeking input from staff on "purpose" which will also be used as a driver for positive culture and conduct.

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 9 December 2019, the board and senior managers are subject to the 'Senior Managers and Certification Regime' under the Financial Services and Markets Act 2000.

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 has a dedicated client relationship team. It conducts a client survey every two years with the last survey being in 2019, meaning the Company receives feedback about its products, client relationships, ease of doing business, sale and after sales services. This also provides a benchmark for the Company against the industry and drives improvement priorities. There is also the 'Product and Consumer Outcomes Committee', which reports to the UK Management and Risk Committee. Whilst this does not have direct touchpoints with our customers, the desire to achieve fair and transparent treatment of customers, drives the agenda and decision making of that forum.

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;

- The annual 'Staff Survey' where 86% of employees at the Group level participated in and 91% of these participants agreed that at UBS we care about our clients, investors and other colleagues. this is organised globally for UBS Group, but the Company is able to monitor the results at a local company level. It also provides the Company with insights into staff morale and enables the Company to direct resources or support to those areas where improvements are required.
- Runway 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.
- The 'People Agenda' committee 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.

STRATEGIC REPORT (CONTINUED)

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY (CONTINUED)

- Globally the 'Grow Asset Management Initiative' has been launched seeking ideas relating to subjects such as training, recruitment, community and diversity.
- 'Kudos' is a new scheme launched, enabling staff to highlight the achievements of their colleagues on a global basis.

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.

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 are 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

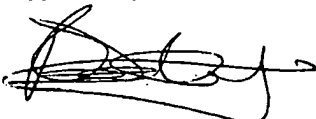
The award winning 'Community Affairs' programme has managed to successfully operate both globally and locally throughout the COVID-19 pandemic but at a reduced capacity. This was made possible by switching from the usual face to face volunteering initiatives, to remotely based volunteering. Remarkably, participation for the UK was 30% for 2020 (2019: 56%).

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.

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 15 April 2021 and signed on their behalf by:



R. Beechey

Director

UBS ASSET MANAGEMENT (UK) LTD

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 2020.

DIVIDENDS

An interim dividend was paid during the year of £11,700,000 (2019 – £18,300,000). The Directors do not recommend payment of a final dividend (2019 – nil).

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 21.

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 (2019: 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 2020 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 89% 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 usage for the period 1 January 2020 to 31 December 2020*

** No comparative information is presented as this is the first year of reporting.*

Energy consumption used to calculate emissions (kWh)	1,019,152
Scope 1 emissions from activities which the Company owns or controls including combustion of fuel & operation of facilities / tCO ₂ e	62.11
Scope 2 emissions from the purchase of electricity, heat, steam and cooling purchased for own use (location based) / tCO ₂ e	156.08
Scope 3 emissions from business travel in rental cars or employee -owned vehicles where the Company is responsible for purchasing the fuel in tCO ₂ e	3.68
Total gross emissions in metric tonnes tCO ₂ e	221.86

Emissions intensity ratios for the period 1 January 2020 to 31 December 2020*

** No comparative information is presented as this is the first year of reporting.*

tCO ₂ e per million GBP	1.156
tCO ₂ e per m ²	0.046

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

- Adjusted plant operation time schedules to suit changes in functionality and during COVID-19 lockdowns to reflect reduced occupancy whilst maintaining industry health and safety guidance. This will partly switch the plant operations away from time based to demand led.
- Undertaken a complete lighting control system strategy change in two phases; one phase is complete whilst the second phase is currently being negotiated with the proposed site contractor for the works to commence on site. This will reduce consumption during periods when the building is unoccupied.
- Currently under review are proposals to adjust the reduction in the uninterrupted power supply, ("UPS") module capacity to increase efficiency and hence reduce UPS system energy losses by reducing the baseload power consumption.

DIRECTORS' REPORT (CONTINUED)

STREAMLINED ENERGY AND CARBON REPORTING (SECR) (CONTINUED)

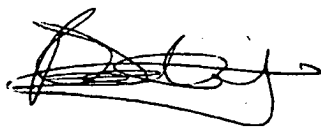
- Currently under review are proposals to adjust the control strategies for cooling units in switch rooms, UPS rooms, battery rooms and hub and critical equipment rooms. This will reduce the baseload power consumption of the building.

In addition to the above initiatives, UBS AG operates with a certified '*global ISO 50001 energy management system*' which the 5 Broadgate office is covered under. ISO50001 provides a framework for establishing an energy management system, helping UBS Group to improve energy performance and efficiency and reduce consumption. UBS Group 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 15 April 2021 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 2020 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 2020 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.

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

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.

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 14, 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.

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

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.
- 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 culture and 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.

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.

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

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
16 April 2021

UBS ASSET MANAGEMENT (UK) LTD

Registered No. 1546400

INCOME STATEMENT

For the year ended 31 December 2020

	<i>Notes</i>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
TURNOVER	2	173,139	139,726
Administrative expenses	3	(146,842)	(128,166)
OPERATING PROFIT		<u>26,297</u>	<u>11,560</u>
Gains/(losses) from foreign exchange differences		309	(715)
Interest income and similar charges		190	396
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>26,796</u>	<u>11,241</u>
Taxation on profit on ordinary activities	6	(3,826)	(1,041)
PROFIT FOR THE FINANCIAL YEAR		<u><u>22,970</u></u>	<u><u>10,200</u></u>

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

The notes on pages 22 to 32 form an integral part of these financial statements

UBS ASSET MANAGEMENT (UK) LTD

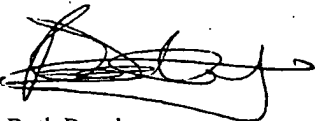
Registered No. 1546400

BALANCE SHEET

As at 31 December 2020

	Notes	2020 £000	2019 £000
NON-CURRENT ASSETS			
Debtors and other receivables	7	780	964
Investments	8	-	-
CURRENT ASSETS			
Debt instruments at amortized cost	9	49,342	44,422
Cash and cash equivalents	10	68,720	51,419
Debtors and other receivables	7	79,853	80,489
		<u>197,916</u>	<u>176,330</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	11	<u>(44,038)</u>	<u>(33,906)</u>
TOTAL NET ASSETS			
		<u>154,658</u>	<u>143,388</u>
CAPITAL AND RESERVES			
Called up share capital	13	125,000	125,000
Retained earnings		29,658	18,388
EQUITY SHAREHOLDER FUNDS			
		<u>154,658</u>	<u>143,388</u>

Approved and authorised for issue by the Board of Directors on 15 April 2021 and signed on its behalf by:



Ruth Beechey

Director

The notes on pages 22 to 32 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share Capital £000	Retained Earnings £000	Total Equity £000
At January 2019	125,000	26,488	151,488
Profit for the financial year	-	10,200	10,200
Dividend paid	-	(18,300)	(18,300)
At 31 December 2019	<u>125,000</u>	<u>18,388</u>	<u>143,388</u>
Profit for the financial year	-	22,970	22,970
Dividend paid	-	(11,700)	(11,700)
At 31 December 2020	<u><u>125,000</u></u>	<u><u>29,658</u></u>	<u><u>154,658</u></u>

The notes on pages 22 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

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 a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the Company that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards ("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 10 and this was assisted by the following assessment. The AM UK Group, currently holds a regulatory capital ratio of 125% of the minimum capital requirement and the Company is also well capitalised to support any adverse shocks with over £125m in share capital, of which £118m is in high quality liquid assets. Based on the 2021 AM UK Group plan, which is calculated from the 2020 actual AUM, the AM UK Group could absorb a reduction in revenue by up to 47% before it would breach its regulatory capital requirement.

It is also noted on page 6 of the Strategic Report – Natural disaster risk, that the Company has been able to operate as usual during the COVID-19 pandemic. There was an initial AUM reduction in Q1'20, driven by market performance and as expected, not a reduction in NNM given the Company's clients are long term Institutional Investors and therefore less responsive to sudden adverse market conditions. The AUM has since recovered and has increased by 20% YoY and consequently, driven the increase in turnover.

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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

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 are 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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

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.

UBS ASSET MANAGEMENT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

2. TURNOVER	2020	2019
	£000	£000
Remuneration received for providing investment services	170,397	138,839
Other income	2,741	887
	<u>173,138</u>	<u>139,726</u>

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	2020	2019
	£000	£000
Management charge paid to the Immediate Parent Company	137,416	119,142
Other expenses paid to other UBS Group entities	9,387	8,486
Other	40	538
	<u>146,843</u>	<u>128,166</u>

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' relate to indirect shared support costs on-charged to the Company.

4. OPERATING PROFIT	2020	2019
	£000	£000
This is stated after charging: Auditors' remuneration		
- audit of the financial statements	103	107
- audit related assurance services	235	202
Total	<u>338</u>	<u>309</u>

UBS ASSET MANAGEMENT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

5. DIRECTORS AND EMPLOYEES

The Company had no employees during the year (2019 – 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	2020 £000	2019 £000
Aggregate remuneration in respect of qualifying services to companies of the UK Asset Management Group	2,704	1,564
Accrued pension at the end of the year	15	22
Total	2,719	1,586
	No.	No.
Directors to whom benefits are accrued under defined contribution schemes	3	3
Highest paid Director	2020 £000	2019 £000
Aggregate remuneration	1,425	889
Accrued pension at the end of the year	-	10
Total	1,425	899

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.

UBS ASSET MANAGEMENT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2020	2019
	£000	£000

a) The charge for taxation comprises:

UK Corporation Tax:

Current Year	3,788	1,005
Prior Year adjustments	38	36

Total tax charge on profit on ordinary activities	<u>3,826</u>	<u>1,041</u>
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b) Factors affecting tax charge/ (credit) for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%) and is explained below.

	2020	2019
	£000	£000
Profit on ordinary activities before tax	<u>26,796</u>	<u>11,241</u>
Total tax charge at standard UK Corporation Tax rate of 19% (2019 – 19%)	5,091	2,136
Effects of:		
Expenses not recognised for tax purposes	-	1
Transfer pricing adjustments	(1,303)	(1,132)
Adjustments in respect of prior periods	38	36
Total tax charge on profit on ordinary activities	<u>3,826</u>	<u>1,041</u>

UBS ASSET MANAGEMENT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

7. DEBTORS

2020 2019
£000 £000

Non- Current Assets

Asset recognised for costs incurred to fulfil a contract

780 964

Current Assets

Accrued interest on cash at bank

496 529

Amounts owed by UBS Group entities

49,927 44,901

Asset recognised for costs incurred to fulfil a contract

184 184

Trade debtors

29,247 34,875

79,853 80,489

8. INVESTMENTS

2020 2019
£000 £000

Unlisted investments:

At 1 January

- 2

Write off

- (2)

At 31 December 2020

- -

Shares in subsidiary undertakings at cost:

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)

- -

Net book value

- -

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.

UBS ASSET MANAGEMENT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

9. DEBT INSTRUMENTS AT AMORTIZED COST

	2020 £000	2019 £000
UK Gilts - amortized cost value	49,342	44,422
UK Gilts - fair value	49,341	44,362

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.

10. CASH AND CASH EQUIVALENTS

	2020 £000	2019 £000
Barclays Bank UK plc	29,110	21,958
J.P. Morgan Chase Bank N.A.	39,610	29,461
	68,720	51,419

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

	2020 £000	2019 £000
Amounts owed to UBS Group entities	(40,201)	(31,731)
Accruals and deferred income	(595)	(592)
Value added taxation	(833)	(728)
Corporate taxation payable - HM Revenue & Customs	(2,409)	(855)
	(44,038)	(33,906)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

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.

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 2020, 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 regularly 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 £539,000 of debtors that are past due but there are no indications that this will not be received in full.

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 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 2020, the holdings were subjected to possible changes to interest rates and the impact of those changes reflected in the below sensitivity analysis:

	<i>Impact on profit before tax £000</i>
31 December 2020	
+200 basis points	(479)
-200 basis points	479

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

12. FINANCIAL INSTRUMENTS (CONTINUED)

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. A firm may not include liquidity resources that can be made available by other members of its group. The Company must also comply with the UBS Group Liquidity and Funding policies.

With over 60% of gross assets held in cash and marketable securities, the Company maintains very high levels of liquidity. Generally, cash flows in and out of the Company in a balanced way, with inflows and outflows matching. 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.

Natural disaster risk

This is covered in the strategic report under 'Principle risks and uncertainties' on page 6.

FAIR VALUE HIERARCHY

All issued debt instruments, £49,342,000, 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.

UBS ASSET MANAGEMENT (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020

12. FINANCIAL INSTRUMENTS (CONTINUED)

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.

13. CALLED UP SHARE CAPITAL

	2020	2019
	£000	£000
Authorised, allotted and fully paid:		
125,000,000 Ordinary shares of £1 each	<u>125,000</u>	<u>125,000</u>

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 have been identified which remain to be adjusted in the financial statements and supporting notes.