

# UBS ASSET MANAGEMENT HOLDING LTD

Report and Financial Statements

For the year ended 31 December 2017



# UBS ASSET MANAGEMENT HOLDING LTD

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Registered No. 2251850

## **CORPORATE INFORMATION**

### **DIRECTORS**

L.R.T. Browne

E.C.S. Byrne

### **AUDITORS**

Ernst & Young LLP

25 Churchill Place

Canary Wharf

London

E14 5EY

### **REGISTERED OFFICE**

5 Broadgate

London

EC2M 2QS

## STRATEGIC REPORT

The Directors present their strategic report of UBS Asset Management Holding Ltd (the "Company") for the year ended 31 December 2017.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is to act as a holding company and service company providing support functions to its subsidiary undertakings, which carry on investment management business.

The Directors assessed the implications of the Capital Requirements Regulation 575/2013 ("CRR") in relation to the Company and its business operating model and as a result of the review an Internal Capital Adequacy Assessment Process (ICAAP) report for the Company's immediate parent company UBS Asset Management Holding (No.2) Ltd and its subsidiaries. The group into which the Company is consolidated and the ultimate parent undertaking and controlling party is UBS Group AG (the "Group"), in accordance with the Capital Requirements Directive 2013/36/EU ("CRD"), was submitted to the FCA during March 2018.

### PRINCIPAL RISKS AND UNCERTAINTIES

As a wholly-owned subsidiary of UBS Group AG, the Company operates in line with UBS Group AG group policies, including environmental and ethical standards. The principal risks and uncertainties can be summarised as:

#### Operational

Management of operational risk, defined as risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, is becoming a key measure used by regulators to assess regulatory capital and risk monitoring programmes. The Company has in place a risk management and control framework which comprises qualitative elements such as a register of principal risks, policies and authorities, and quantitative components including risk measurement and limits. The overall risk appetite for the Company is set by the Board of Directors. Risk exposure is monitored against the set risk appetite on an ongoing basis through risk reporting and escalation process to the Board of Directors. An assessment and review of the risk appetite methodologies and statements is made at a minimum on an annual basis, with the risks recorded on the operational risk register assessed more frequently.

#### Conduct

Conduct risk 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. UBS maintains a 'Code of Conduct and Ethics' (the Code). The Code sets out the principles and practices that define UBS's ethical standards and the way the firm does business. It is the basis for all of UBS Group policies, guidelines and procedures and applies in all circumstances and at all levels in the organisation, including the Company.

#### Market

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market prices. Market risk for the Company comprises two types of risks: foreign exchange risk and interest rate risk. The Company does not enter into proprietary trading positions.

## STRATEGIC REPORT (CONTINUED)

### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's main exposure stems from fees accrued or billed in currencies which are not pound sterling denominated. The firm has limited appetite for market risk and seeks to minimise this by having an efficient process around payments of fees, and ensuring settlement occurs on a regular basis.

### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Company is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

### **Credit**

The primary credit risk faced by the Company is based on its obligation to hold a certain amount of cash to cover its business needs.

The risk on fee related debtors is controlled by having an efficient process around payments of fees, specifically to ensure fees are paid on time. Debtors are reviewed on a regular basis and high risk items are raised to senior management accordingly.

### **Brexit risk**

It is currently unclear how Brexit may ultimately impact the Asset Management business in the UK. The financial statements have been prepared on the assumption that the business model will not change materially for the foreseeable future. The Board of Directors will continue to consider the potential impact as further details emerge over time from the government negotiations.

## **KEY PERFORMANCE INDICATORS**

The results of the Group are managed on a Group and business stream basis. Business streams do not correspond directly with individual legal entities, and consequently key performance indicators are not set for individual companies. The parent company of the Group (UBS AG) maintains an oversight of the Company's performance under the UBS Asset Management business and management structures. However, the Directors are satisfied that the Company's business is operating and performing in accordance with and to the standards expected by those business and management structures. The Directors continually and actively monitored the Company's regulatory capital limits during the year. There has been no change in this status since the year end.

## **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 business strategy and direction.

By order of the board



E.C.S. Byrne

Director  
17 April 2018

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements of UBS Asset Management Holding Ltd (the "Company") for the year ended 31 December 2017.

### RESULTS AND DIVIDENDS

During the year the Company made a loss after taxation of £150,000 (2016 – loss £851,000). A dividend was paid to the Company's immediate parent, UBS Asset Management Holding (No.2) Ltd, during the year of £34,961,000 (2016 – £nil). The Directors do not recommend payment of a final dividend (2016 – £nil).

The Company received dividends of £47,277,000 (2016 - £nil) and £1,882,000 (2016 - £nil) from its subsidiary undertakings UBS Asset Management (UK) Ltd and UBS Asset Management Funds Ltd respectively during the year.

The Company does not produce consolidated financial statements, being exempt from this requirement under s401 of the Companies Act (2006).

### 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. The Directors have a reasonable expectation 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, they 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:

R. Beechey	(resigned 15 February 2017)
L.R.T. Browne	
E.C.S. Byrne	(appointed 15 February 2017)

### 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.

### CREDITOR PAYMENT POLICY AND PRACTICE

The Company's normal practice in the UK is to agree the terms of payment with suppliers at the time of contract and to make payment within the agreed credit term subject to satisfactory performance. The Company does not follow any code or standard on payment practice.

### CHARITABLE DONATIONS

During the year the Company made charitable donations of £4,750 (2016 - £1,500).

## DIRECTORS' REPORT (CONTINUED)

### EMPLOYEES

Information on the Company's activities and consultation with staff is provided regularly through various management communication channels. These include circulation of notices and presentations by senior management.

The Company's human resource policies and processes have global coverage and outline its commitment to a non-discriminating, harassment-free workplace with equal opportunities for all employees.

The Company encourages the involvement of employees in the Company's performance through a number of compensation schemes which are based on UBS AG's shares (or following the exchange offer, UBS Group Shares)

The Company gives full consideration to applications for employment from disabled persons where the candidates' particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

### DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Directors at the date of approval of this report and audited financial statements have confirmed that:

- so far as he/she is aware, there was no relevant audit information of which the Auditors were unaware; and
- he/she has taken all the steps necessary as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Auditors have been made aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act (2006).

### RE-APPOINTMENT OF AUDITORS

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



E.C.S. Byrne

Director  
17 April 2018

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable 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 (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBS ASSET MANAGEMENT HOLDING LTD

### Opinion

We have audited the financial statements of UBS Asset Management Holding Ltd (the "Company") for the year ended 31 December 2017 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20, 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 including 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 2017 and of its loss 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 below. 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.

### 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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



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

### **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.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

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.



Caroline Mercer (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

17 April 2018

# UBS ASSET MANAGEMENT HOLDING LTD

Registered No. 2251850

## INCOME STATEMENT

for the year ended 31 December 2017

	<i>Notes</i>	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
<b>TURNOVER</b>	2	135,684	122,674
Administrative expenses		(135,372)	(121,815)
Other operating expenses		328	(168)
<b>OPERATING PROFIT</b>	3	640	691
Interest income and similar charges	4	-	92
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		640	783
Taxation on profit on ordinary activities	7	(790)	(1,634)
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		(150)	(851)
Dividends received from subsidiary undertakings		49,159	-
<b>PROFIT / (LOSS) FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>		49,009	(851)

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

The notes on pages 13 to 24 form an integral part of these financial statements.

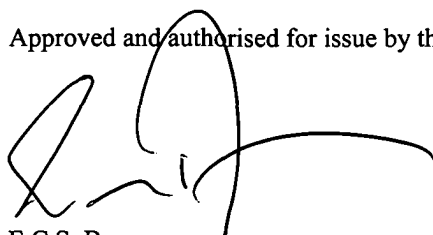
# UBS ASSET MANAGEMENT HOLDING LTD

Registered No. 2251850

## BALANCE SHEET at 31 December 2017

	<i>Notes</i>	<i>2017</i> £000	<i>2016</i> £000
<b>FIXED ASSETS</b>			
Tangible fixed assets	8	2,075	2,878
Investments	9a	172,729	172,879
		<u>174,804</u>	<u>175,757</u>
<b>CURRENT ASSETS</b>			
Cash at bank		173	-
Debtors	10	6,277	7,476
Income tax receivable		9,545	9,829
Deferred tax assets		6,827	7,050
Investments	9b	150	4,330
		<u>22,972</u>	<u>28,685</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<u>(44,202)</u>	<u>(64,771)</u>
<b>NET CURRENT ASSETS</b>		<u>(21,230)</u>	<u>(36,086)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		153,574	139,671
Provisions for liabilities and other charges	12	<u>(2,344)</u>	<u>(2,489)</u>
<b>TOTAL NET ASSETS</b>		<u>151,230</u>	<u>137,182</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	151,380	151,380
Profit and loss account		<u>(150)</u>	<u>(14,198)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>151,230</u>	<u>137,182</u>

Approved and authorised for issue by the Board of Directors on 17 April 2018 and signed on its behalf by:



E.C.S. Byrne  
Director

The notes on pages 13 to 24 form an integral part of these financial statements.

# UBS ASSET MANAGEMENT HOLDING LTD

Registered No. 2251850

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share Capital	Accumulated losses	Total Equity
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2016	151,380	(13,347)	138,033
Loss for the financial year	-	(851)	(851)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	151,380	(14,198)	137,182
Profit for the financial year	-	49,009	49,009
Dividend paid	-	(34,961)	(34,961)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	151,380	(150)	151,230

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

### 1. ACCOUNTING POLICIES

#### *Basis of accounting*

The financial statements have been prepared under the historical convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) for all periods presented.

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.

#### *Foreign currencies*

The Company's financial statements are presented in 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 profit and loss account. Tax charges and credits attributable to exchange differences on those borrowings are also accounted for in reserves.

#### *Turnover*

Turnover comprises of recharges for administration services provided for the Group, accounted for on an accruals basis.

#### *Interest Income*

Interest income on cash balances are recognised on an accrual basis.

#### *Administrative expenses*

Administrative expenses incurred have been recognised on accrual basis.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are shown at cost less depreciation, which is calculated using the straight line method over the assets' useful lives as follows:

Computer hardware	36 to 60 months
Office machines	60 months
Office furniture	120 months
Leasehold improvements	shorter of 120 months or the life of the lease

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

### 1. ACCOUNTING POLICIES (CONTINUED)

#### *Investments*

Investments in subsidiary undertakings are carried at cost less impairment. All resulting increases / (decreases) in value are accounted for through the income statement. The sale of investments are accounted for based on their net book value.

#### *Cash at bank and in hand*

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

#### *Debtors*

Debtors are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Debtors are measured at fair value upon initial recognition. At each balance sheet date debtors are reviewed to determine whether there is an indication of impairment. If such indication exists, the recoverable amount is estimated.

#### *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.

#### *Operating leases*

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

#### *Provisions for liabilities*

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### *Pensions*

UBS operates a defined benefit scheme and a defined contribution scheme. All defined benefit accruals in the UK ceased from 1 July 2013. The cost of providing pension benefits in the defined benefit scheme is assessed in accordance with the advice of a qualified actuary using the straight line write-down method, and is charged to the profit and loss account over the period benefiting from employees' services. The cost associated with the defined contribution scheme represents contributions payable in the period.

#### *Income taxes*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

*Deferred taxation*

Deferred tax assets are recognised 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 utilised. Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates at the balance sheet date.

Deferred tax assets and liabilities are offset when they arise from the same tax reporting group, they relate to the same tax authority, the legal right to offset exists, and they are intended to be settled net or realised simultaneously.

Deferred taxes are recognised as a tax benefit or expense in the income statement except for deferred taxes recognised on items recognised in equity, where such taxes are recognised directly in equity.

*Equity participation plans*

UBS provides various equity participation plans in the form of share plans and share option plans as detailed in Note 14. UBS recognises the fair value of share and share option awards determined at the date of grant as compensation expense over the period during which the employee is required to provide services in order to earn the award. The fair value of share awards is equal to the market price at the date of grant. For share options, fair value is determined using a proprietary option valuation model that reflects employees' exercise behaviour and the specific terms and conditions under which the options are granted.

Equity-settled awards are classified as equity instruments and are not re-measured subsequent to the grant date, unless an award is modified such that its fair value immediately after modification exceeds its fair value immediately prior to modification. Any increase in fair value resulting from a modification is recognised as compensation expense, either over the remaining service period or immediately for vested awards.

Cash settled awards are classified as liabilities and re-measured to fair value at each balance sheet date as long as they are outstanding. Decreases in fair value reduce compensation expense, and no compensation expense, on a cumulative basis, is recognised for awards that expire worthless or remain unexercised. Plans where participants have the option to roll share-based awards into alternative investments are treated as cash settled.

2. TURNOVER

	2017	2016
	£000	£000
Expenses recharged to subsidiary undertakings	135,684	122,674

Turnover is earned primarily from activities based in the United Kingdom.



# UBS ASSET MANAGEMENT HOLDING LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

### 3. OPERATING PROFIT

This is stated after charging:

	2017 £000	2016 £000
Depreciation	559	674
Auditors' remuneration - audit of the financial statements	36	12
Operating lease rentals	3,102	2,536
	<u>          </u>	<u>          </u>

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £000	2016 £000
Release of overcharged provision for reinstatement costs	-	(525)
Interest payable on discounting of provision	-	433
	<u>          </u>	<u>          </u>

### 5. DIRECTORS AND EMPLOYEES

	2017 No.	2016 No.
Monthly average number of employees during the year, including Directors, categorised as follows:		
Investment management	234	246
Business management	31	34
Support functions	76	100
Total	<u>341</u>	<u>380</u>

	2017 £000	2016 £000
Employee costs:		
Wages and salaries	59,048	62,301
Social security costs	8,053	7,352
Pension costs	3,366	3,895
	<u>70,467</u>	<u>73,548</u>

Directors' emoluments are payable by another company of the Group and are not separately recharged to UBS Asset Management Holding Ltd. The below disclosures are therefore in respect of Directors' emoluments in respect of qualifying services to the Group rather than to the Company alone.

# UBS ASSET MANAGEMENT HOLDING LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

### 5. DIRECTORS AND EMPLOYEES (CONTINUED)

#### Emoluments of Directors

	2017 £000	2016 £000
Aggregate remuneration in respect of qualifying services to companies of the Group	1,350	652
Accrued pension at the end of the year	20	31
	<u>          </u>	<u>          </u>
	2017 No.	2016 No.
Directors to whom benefits are accrued under defined contribution schemes	2	2
	<u>          </u>	<u>          </u>
	2017 £000	2016 £000
<b>Highest paid Director</b>		
Aggregate remuneration	789	225
Accrued pension at the end of the year	10	10
	<u>          </u>	<u>          </u>

### 6. TRANSACTIONS WITH DIRECTORS AND RELATED PERSONS

Directors are entitled to deal in securities with UBS AG Group companies in accordance with the UBS AG 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.

### 7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2017 £000	2016 £000
<b>a) The charge for taxation comprises:</b>		
Current tax:		
Current Year	527	1,153
Prior Year adjustment	40	22
	<u>          </u>	<u>          </u>
Total current tax charge / (credit) for the year	567	1,175
	<u>          </u>	<u>          </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2017 £000	2016 £000
Deferred tax:		
Originating and reversal of timing differences	455	130
Adjustments to prior years	(232)	329
Total deferred tax for year	223	459
Tax charge on profit on ordinary activities	790	1,634

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 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit/ (loss) on ordinary activities before tax	640	783
Total tax charge at standard UK corporation tax rate of 19.25% (2016 – 20%)	123	157
Effects of:		
Net expense / (income) not recognised for tax purposes	9	(42)
Transfer pricing adjustments	1,321	1,224
Deductible temporary differences for which no DTA recognised	(471)	(364)
Changes in UK taxation rates	-	308
Adjustments in respect of prior periods	(192)	351
Total tax charge for the year	790	1,634

(c) Deferred tax asset

	2017 £000	2016 £000
Provision at start of period	7,050	7,509
Credit to the profit and loss account – current year	(455)	(130)
Charge / (Credit) to the profit and loss account – prior year	232	(329)
Provision at end of period	6,827	7,050
Comprising:		
Employee compensation awards	6,589	7,011
Fixed assets	238	39
Total deferred tax assets	6,827	7,050

# UBS ASSET MANAGEMENT HOLDING LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

### 8. TANGIBLE FIXED ASSETS

	<i>Assets Under Construction</i>	<i>Computer Equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 2017	322	16,956	17,278
Additions	-	414	414
Assets Under Construction capitalised during the year	-	-	-
Disposal/Transfer	(298)	(13,660)	(13,958)
At 31 December 2017	24	3,710	3,734
Depreciation:			
At 1 January 2016	-	14,400	14,400
Charge in year	-	559	559
Disposal/Transfer	-	(13,300)	(13,300)
At 31 December 2017	-	1,659	1,659
Net book amount at: 31 December 2017	24	2,051	2,075
At 1 January 2017	322	2,556	2,878

### 9. INVESTMENTS

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
<b>a) Non-Current Investments</b>		
Shares in subsidiary undertakings at cost:		
UBS Asset Management (UK) Ltd	131,517	131,517
UBS Asset Management Funds Ltd	26,212	26,212
UBS Asset Management (Jersey) Ltd	-	150
UBS Asset Management Life Ltd	15,000	15,000
	172,729	172,873
<b>b) Current Investments</b>		
UBS Global Asset Management Client Services Ltd	-	4,330
UBS Asset Management (Jersey) Ltd	150	-
Total net book value of investments	172,879	177,209

The investment in UBS Global Asset Management Client Services Ltd was classified as a current asset as at 31 December 2016 as the Company went into liquidation during 2014. It was fully liquidated in 2017. The investment in UBS Asset Management (Jersey) Ltd was classified as a current asset as at 31 December 2017 as the Company's financial statements as at 31 December 2016 were prepared on a breakup basis.

# UBS ASSET MANAGEMENT HOLDING LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

### 10. DEBTORS

	2017	2016
	£000	£000
Amounts owed by UBS Group undertakings	3,046	3,658
Prepayments and accrued income	1,793	2,289
VAT receivable	1,438	1,529
	<u>6,277</u>	<u>7,476</u>

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£000	£000
Amounts owed to UBS Group undertakings	11,954	31,833
Accruals and deferred income	32,248	32,938
	<u>44,202</u>	<u>64,771</u>

### 12. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	2017	<i>Restated</i> 2016
	£000	£000
Provisions at 1 January	2,489	2,291
Additions	2,020	1,467
Reduction / Unused	(64)	(87)
Transfers to other Group entities	(548)	-
Utilised	(1,553)	(1,182)
	<u>2,344</u>	<u>2,489</u>
Provisions at 31 December		

The prior year comparatives were restated to reflect the additions, unused releases, transfers and utilisations. The transfer to other Group entities in 2017 are for provisions relating to UBS Business Solutions AG where shared services functions in the UK were transferred to during 2017.

# UBS ASSET MANAGEMENT HOLDING LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

### 12. PROVISIONS FOR LIABILITIES AND OTHER CHARGES (CONTINUED)

At 31 December 2017 an amount of £1,949,349 (2016 - £1,949,349) has been provided for the reinstatement costs of premises leased by the Company. The reinstatement costs are based on advice provided by Jones Laing LaSalle and Morgan Pepper who are acting as joint Estate Agents for the vacated property. There is little to no uncertainty as to the amount of this provision. It is expected to be utilised on expiry of the lease of the underlying asset in 2026.

An amount of £56,000 (2016 - £50,000) has been provided for the anniversary awards due to long serving employees of the Company. There is little to no uncertainty as to the amount of this provision. It is expected to be utilised during 2018.

£339,000 has been provided for untaken holidays and severance costs in the year (2016 - £490,000).

### 13. CALLED UP SHARE CAPITAL

	2017 £000	2016 £000
Authorised, allotted and fully paid: 151,380,168 Ordinary shares of £1 each	151,380	151,380
	=====	=====
Allotted and fully paid: 151,380,168 Ordinary shares of £1 each	151,380	151,380
	=====	=====

### 14. SHARE BASED PAYMENTS

#### *UBS Asset Management Deferral Plans*

Over a certain total compensation threshold, employees' variable compensation is subject to mandatory deferral. UBS Asset Management has two main deferral plans: the UBS Asset Management Equity Ownership Plan (AM EOP) and the Deferred Contingent Capital Plan (DCCP). Employees whose total compensation is above the defined threshold receive 75% of their deferred compensation in AM EOP and 25% in the DCCP. AM EOP awards vest over five years with 40% of the awards vesting after two years, 40% after three years and 20% after five years. Through the AM EOP, awards are made in vehicles aligned to selected UBS Asset Management funds (Notional Funds, previously known as Alternative Investment Vehicles or AIVs). The balance of the amount deferred (25%) is awarded in the DCCP which represent a contingent right to receive cash or a DCCP Instrument at vesting. Awards are deferred over five year and vest at the end of the five year deferral period.

#### *UBS Share Awards (EP and EOP)*

##### *(i) Equity Ownership Plan (EOP)*

Annually, in or about February or March, selected employees receive a percentage of their annual performance related compensation in notional UBS shares instead of cash, on a mandatory basis (on-cycle awards). The awards granted in UBS Group AG Shares or notional UBS Group AG Shares are settled in

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

**14. SHARE BASED PAYMENTS (CONTINUED)**

equity, except in countries where this is not permitted for legal reasons. EOP awards made in the form of AIV's are settled in cash and vest in three portions, 40% over the second and third year and the remaining 20% over the fifth year. Other EOP awards generally vest in two equal portions over the second and third year of a three year vesting period except for awards granted to members of the GEB which will vest in one third increments over the third, fourth and fifth years of a five year vesting period. In certain circumstances, these awards are forfeitable and may include performance conditions.

EOP awards are also granted to selected employees when joining the Group or in special circumstances (off cycle awards). Off-cycle awards have the same terms and conditions as on-cycle awards, except that the forfeiture conditions are more stringent.

*(ii) Equity Plus (EP)*

This voluntary plan gives eligible employees the opportunity to purchase UBS Group AG shares at fair market value on the purchase date and receive at no additional cost, one free notional UBS Group AG share for every three shares purchased, up to a maximum annual limit (fractional free shares may be granted). Share purchases can be made annually from bonus compensation or monthly based on deductions from salary. Shares purchased under Equity Plus are restricted from sale for up to 3 years from the time of purchase.

*UBS Option Awards and Stock Appreciation Right (SAR) Awards*

The weighted average share price at the date of exercise for options exercised during the year was 911p (2016: 956p). The options outstanding at 31 December 2017 have an exercise price of 1,899p (2016: 3,107p). The weighted average remaining contractual term for options outstanding ranges from 0.0 years to 1.2 years for CHF (2016: 0.2 years to 2.1 years for CHF). The weighted average share price at the date of exercise for SAR exercised during the year was 835p (2016: 876p). The SAR outstanding at 31 December 2017 have an exercise price of 911p (2016: 956p). The weighted average remaining contractual term for SAR outstanding ranges from 1.1 years to 1.7 years (2016: 2.1 years to 2.7 years).

*Other deferred compensation plans*

UBS also grants deferred compensation awards to replace forfeited awards on joining UBS to new recruits in the form of Notional Funds or UBS shares or notional shares.

The Company recognised a total charge of £6,421,000 (2016: £ 7,084,000) all of which relate to equity-settled share-based payment transactions.

*Discontinued deferred compensation plans*

*Senior Executive Equity Ownership Plan (SEEOP)*

Senior executives received a portion of their performance related compensation in UBS Group AG Shares or notional UBS Group AG Shares instead of cash, on a mandatory basis. The awards granted in UBS Group AG Shares or Notional UBS Group AG shares (or following the exchange offer, UBS Group AG Shares) are settled in equity. SEEOP awards generally vest in five increments over a five-year vesting period. These awards are forfeitable in certain conditions, including performance conditions, are not met. No grants have been made in 2017.

The weighted average share price at the date of exercise for shares during the year was 1,215p (2016: 1,275p). The shares outstanding at 31 December 2017 have a share price of 1,139p (2016: 1,195p), and a weighted average time to vesting date of 0.0 to 1.2 years (2016: 0.2 to 2.1 years).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

**15. LEASE COMMITMENTS**

Payments committed to be made under non-cancellable operating leases analysed by the amount that will fall due from 31 December 2017 are as below:

	2017	2016
	£000	£000
Land and buildings:		
Not later than one year	3,102	2,536
After one year but not more than five years	3,102	2,536
After five years	3,102	-

**16. PENSIONS**

The Company operates both a hybrid scheme with defined benefit and defined contribution sections, UBS (UK) Pension & Life Assurance Scheme, and a pure defined contribution scheme, known as the UBS (UK) Voluntary Pension Scheme. These are UBS schemes and are part of UBS group policy. All eligible UBS employees within the UK are, or can be, members of the scheme and disclosures of the Scheme are made within UBS Group AG Annual Report. All defined benefit accruals in the UK ceased from 1 July 2013.

Under the IFRS standard IAS 19 – Employee Benefits; the Former scheme is classified as a Multi-employer scheme. The Company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and therefore, in accordance with exemptions set out in IAS 19, it accounts for the contributions to the scheme as if it were a defined contribution scheme.

The total pension cost for the Company was £3,366,000 (2016 - £ 3,895,000) all of which related to the schemes outlined above. No contributions were outstanding relating to these schemes as at 31 December 2017 (2016- £nil).

**17. SUBSIDIARY UNDERTAKINGS**

The subsidiary undertakings of the Company at 31 December 2017, all of which are engaged in investment management, advisory and related services, are shown below. All subsidiary undertakings are registered in England and Wales and operate in the United Kingdom.

UBS Asset Management (UK) Ltd,(whose subsidiaries are UBS Infrastructure Fund GP UK Ltd, CLOVA Holding Ltd, whose subsidiaries are CLOVA No. 1 Ltd and CLOVA No. 2 Ltd, UBS Triton General Partner Ltd whose subsidiaries are Triton Holdco Ltd, Triton Nominee 1 Ltd and Triton Nominee 2 Ltd and UBS MC General Partner – UBS-PREMF Limited.)

UBS Asset Management Funds Ltd  
Phildrew Nominees Ltd  
UBS Asset Management (Jersey) Ltd  
UBS Asset Management Life Ltd



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2017

### 18. PARENT UNDERTAKINGS

The Company's immediate parent undertaking is UBS Asset Management Holding (No.2) 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 include 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/about\\_ubs/investor\\_relations/annualreporting/2017.html](https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2017.html)

### 19. COUNTRY-BY-COUNTRY REPORTING (UNAUDITED)

Article 89 of the Capital Requirements Directive IV (CRD IV) requires credit institutions and investment firms in the EU to disclose annually, specifying, by Member State and by third country in which they have an establishment, the following information for the year ended 31 December 2017: name, nature of activities, geographical location, turnover, number of employees, profit or loss before tax, corporation tax paid and public subsidies received. This information is presented on a consolidated basis for UBS Asset Management Holding (No.2) Ltd and its subsidiaries. The audited disclosure will be made available on the below link before 31 December 2018:

[https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/eu-crd-iv-disclosures.html](https://www.ubs.com/global/en/about_ubs/investor_relations/eu-crd-iv-disclosures.html)

### 20. EVENTS AFTER THE BALANCE SHEET DATE

On 17<sup>th</sup> April 2018 the Directors proposed the payment of an interim dividend of £34,000,000 for the Company's immediate parent company UBS Asset Management Holding (No.2) Ltd and its subsidiaries.