

Acadian Asset Management (UK) Limited

Registered Number: 05644066

Annual Report and Financial Statements

For the year ended 31 December 2021



Acadian Asset Management (UK) Limited

Registered No: 05644066

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Acadian Asset Management (UK) Limited

Registered No: 05644066

Administrative Information

For the year ended 31 December 2021

Directors

John Chisholm
Ross Dowd
Kelly Young
Ian Shea
Brendan Bradley
Oliver Close

Registered office

Sixth Floor
24 King William Street
London
EC4R 9AT

Independent Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Acadian Asset Management (UK) Limited

Registered No: 05644066

Strategic Report

For the year ended 31 December 2021

The directors present their strategic report of Acadian Asset Management (UK) Limited ("the Company") for the year ended 31 December 2021.

Results and business review

The Company profit for the financial year after taxation amounted to £3,651,053 (2020 - £3,320,113). The Company generated £8,625,435 (2020 - £8,183,268) in revenue from investment management fees during the year.

Principle risks and uncertainties

On 24 December 2020, the E.U. and the U.K formally announced the 'EU-UK Trade and Cooperation Agreement' (the 'Brexit agreement'), an agreement on future trade terms between the two parties. The Brexit agreement was ratified in early 2021 by the U.K. and E.U. Parliaments. The directors have continued to monitor the impact of the Brexit agreement on the Company and have not currently identified any material impact as a consequence of this agreement.

The effects of COVID-19 continue to adversely affect the global economy, however, as the various vaccines programmes are rolled out internationally, restrictions are being reduced or lifted, subject to future variants of the virus emerging. The Company is well positioned to react to any future developments and the directors continue to monitor the situation.

The directors successfully enacted business continuity measures which ensured that the Company can continue to function with minimal disruption to its business activities. Given the nature of the business and its activities, the directors also consider that the impact of COVID-19 would not affect the ability of the Company or the wider Acadian group to continue to generate value in the long term.

In February 2022, Russian armed forces invaded Ukraine with the intention of ousting the current Presidential regime. The hostile invasion caused severe market turmoil as the international community reacted by placing sanction on Russian oligarchs and trading in Russian companies. The Company is not exposed to Russian investments either directly or in the investment strategies and does not have exposure to Russian investors. The directors will monitor the impact of the conflict and the wider market contagion closely, however, there is minimal impact on the ongoing business activity of the Company.

Risk management

The risks and uncertainties faced by the Company are those inherent within the financial services industry, but are primarily:

Market risk – subject to market fluctuations and general economic conditions;

Credit risk – exposed to counterparties not fulfilling their obligations;

Operational risk – incurring losses resulting from inadequate or failed internal and external processes, systems and human error from external events; and

Regulatory risk – subject to the effects of changes in the laws, regulations, policies and interpretations and any accounting standards in the markets in which it operates.

Acadian Asset Management (UK) Limited

Registered No: 05644066

Strategic Report

For the year ended 31 December 2021

Going concern

The directors have considered the impact of the newly implemented FCA legislation effective 1 January 2022 on the Company, along with the impact of external factors such as COVID-19, the Ukraine conflict and Brexit as part of its risk assessment processes. The directors anticipate that the Company should continue to be profitable and cash generating and that it should be able to meet all its regulatory requirements for the following reasons:

- Acadian Asset Management LLC's (the "LLC") ability to support the Company as a result of the Cost Plus arrangement;
- BCP sustainability;
- Managing all relevant risks; and
- Projected Cash flow sustainability.

As a result, there is a reasonable expectation that the Company will continue to operate for the foreseeable future. As such, the directors continue to adopt the going concern basis in preparing the financial statements.

The Company has completed an additional in-depth Going Concern assessment of its Projected profitability covering at least the next 12 months from the date of approval of these financial statements. The assessment focused on the impact external factors could possibly have on its Revenue, Expenses and Cashflow for that period. The following results are expected:

- Projected Net Profit as at 31 Dec 2022 GBP 3.3m.
- Projected Cashflow as at 31 May 2023 GBP 8.3m

Overall, the conclusion was that the Company is expected to be a Going Concern for at least the next 12 months.

Directors' indemnity and liability insurance

The directors of the Company are covered under the group directors' and officers' liability insurance that is provided by AIG.

On behalf of the Board of Directors



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Ian Shea

Director

Date: 27 April 2022

Acadian Asset Management (UK) Limited

Registered No: 05644066

Directors' Report

For the year ended 31 December 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Principal activity

The Company is a wholly owned subsidiary of Acadian Asset Management LLC which is in turn a majority-owned subsidiary of BrightSphere Investment Group Plc. The Company was authorised by the Financial Conduct Authority on 8 March 2007 (FRN 460224) and primarily specialises in the management of global equities and utilises a quantitative investment strategy.

Results and dividends

The result of the Company is shown in the Statement of Comprehensive Income on Page 11. No dividend (2020 - £nil) was paid in the year. The directors do not recommend a final dividend (2020 - £nil).

Directors

The directors who served during the year and up to the date of this report were:

John Chisholm
Ross Dowd
Kelly Young
Ian Shea
Brendan Bradley
Oliver Close
Mark Minichiello (resigned 31 December 2021)

The Company falls within Proportionality Level 3 for the purposes of the FCA Remuneration Code. Under this Code the Company is required to make certain disclosures regarding its remuneration policies and practices for those categories of staff whose professional activities have a material impact on its risk profile. These disclosures are included within the document "2021 Pillar 3", included as a supplement to these annual financial statements. "2021 Pillar 3" is not within the scope of the annual audit and does not form part of the financial statements or notes thereto.

Disclosure of information to the auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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Acadian Asset Management (UK) Limited

Registered No: 05644066

Directors' Report

For the year ended 31 December 2021

Auditor

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board of Directors and signed on its behalf by:



.....
Ian Shea

Director

Date: 27 April 2022

Acadian Asset Management (UK) Limited

Registered No: 05644066

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual 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 they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Acadian Asset Management (UK) Limited

Opinion

We have audited the financial statements of Acadian Asset Management (UK) Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of Acadian Asset Management (UK) Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, management and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunities for manipulation.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post-closing journals.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management as required by auditing standards, and from inspection of the Company's regulatory correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent Auditor's Report to the Members of Acadian Asset Management (UK) Limited (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, financial services regulations including Client Assets and including regulatory capital and liquidity, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Members of Acadian Asset Management (UK) Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



David Roberts (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

27 April 2022

Acadian Asset Management (UK) Limited

Registered No: 05644066

Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £	2020 £
Revenue	5	17,864,709	15,595,211
Direct expenses	6	(4,830,244)	(4,582,630)
Gross profit		13,034,465	11,012,581
Administrative expenses	7	(8,554,855)	(6,862,911)
Operating profit		4,479,610	4,149,670
Finance income	8	926	37
Finance costs	19	(52,349)	(71,835)
Profit before tax		4,428,187	4,077,872
Income tax expense	11	(777,134)	(757,759)
Profit for the financial year		3,651,053	3,320,113

The profit for the financial year and the prior year is derived from continuing operations.

There is no other comprehensive income for the year (2020 - £nil).

The notes on pages 15 to 31 form part of these financial statements.

Acadian Asset Management (UK) Limited

Registered No: 05644066

Statement of Financial Position

As at 31 December 2021

Assets	Note	31 Dec 2021 £	31 Dec 2020 £
Non-current assets			
Property, plant and equipment	12	765,147	1,273,731
Right-of-use asset	12	841,665	1,261,933
Investments	13	39,336	39,336
Total non-current assets		1,646,148	2,575,000
Current assets			
Trade and other receivables	14	16,395,559	14,394,282
Cash and cash equivalents	15	7,435,253	4,280,897
Total current assets		23,830,812	18,675,179
Total assets		25,476,960	21,250,179
Equity			
Share capital	16	950,000	950,000
Retained earnings	17	20,417,860	16,766,807
Total equity		21,367,860	17,716,807
Liabilities			
Current liabilities			
Trade and other payables	18	2,951,245	1,851,023
Lease liabilities	19	544,507	524,495
Total current liabilities		3,495,752	2,375,518
Non-current liabilities			
Lease liabilities	19	613,348	1,157,854
Total equity and liabilities		25,476,960	21,250,179

The financial statements were approved by the Board of Directors and were signed on its behalf by:



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Ian Shea
Director

Date: 27 April 2022

The notes on pages 15 to 31 form part of these financial statements.

Acadian Asset Management (UK) Limited

Registered No: 05644066

Statement of Changes in Equity

As at 31 December 2021

		Share capital	Retained earnings	Total
	Note	£	£	£
Balance as at 1 January 2020		<u>950,000</u>	<u>13,446,694</u>	<u>14,396,694</u>
Profit for the financial year		-	3,320,113	3,320,113
Balance as at 31 December 2020		<u>950,000</u>	<u>16,766,807</u>	<u>17,716,807</u>
Profit for the financial year	17	-	3,651,053	3,651,053
Balance as at 31 December 2021		<u>950,000</u>	<u>20,417,860</u>	<u>21,367,860</u>

The notes on pages 15 to 31 form part of these financial statements.

Acadian Asset Management (UK) Limited

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Statement of Cash Flows

As at 31 December 2021

		2021 £	2020 £
	Note		
Cash flow from operating activities:			
Operating profit		4,479,610	4,149,670
Tax paid		(919,239)	(1,135,900)
Adjustments for non-cash income and expenses:			
Depreciation – owned assets	12	509,745	505,298
Depreciation – right-of-use assets	12	420,268	420,268
Changes in operating assets and liabilities:			
Increase in trade and other receivables	14	(1,876,803)	(723,505)
Increase / (decrease) in trade and other payables	18	1,117,853	(194,133)
Cash generated from operations		3,731,434	3,021,698
Cash flows from investing activities:			
Interest received	8	926	37
Payments to acquire property, plant and equipment	12	(1,161)	(51,036)
Net cash used in investing activities		(235)	(50,999)
Cash flows from financing activities:			
Payment of lease liabilities		(576,843)	(528,774)
Net cash used in financing activities		(576,843)	(528,774)
Net increase in cash and cash equivalents		3,154,356	2,441,925
Cash and cash equivalents at the beginning of the year	15	4,280,897	1,838,972
Cash and cash equivalents at the end of the year	15	7,435,253	4,280,897

The notes on pages 15 to 31 form part of these financial statements.

Acadian Asset Management (UK) Limited

Registered No: 05644066

Notes to the Financial Statements

As at 31 December 2021

1. General information

Acadian Asset Management (UK) Limited (the "Company") is a private company limited by shares, incorporated and domiciled in England and Wales. The address of its registered office and its principal place of business is Sixth Floor, 24 King William Street, London, United Kingdom, EC4R 9AT.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

2.1 Statement of compliance

These financial statements have been prepared and approved by the director in accordance with UK-adopted international accounting standards.

2.2 Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards and those parts of the Companies Act applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, except for financial instruments that have been measured at fair value through profit and loss.

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue to be able to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

The risks and uncertainties regarding Brexit, COVID-19 and the Ukraine conflict are discussed within the Strategic Report.

In determining the appropriateness of the going concern basis of preparation of these financial statements, the directors have made an assessment covering a period of at least 12 months from the date of approval of these financial statements which indicates that, taking account of reasonably possible downsides, the Company will have sufficient funds, to meet its liabilities as they fall due for that period.

In making this assessment the directors have considered the assets under management upon which basis components of revenue are levied, and on the ability of underlying clients to continue as a going concern and accordingly pay fees as and when they fall due.

Key to this assessment are the following:

- the Company has no third party debt;
- the Company has a strong liquidity position of GBP 5.0m in its bank accounts as at 31 March 2022;
- after modelling significant decreases in the value of Indices to represent a worst-case downside scenario with impact on revenue earned, the company continues to maintain positive cashflows;

Acadian Asset Management (UK) Limited

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Notes to the Financial Statements

As at 31 December 2021

2.2 Basis of preparation (continued)

- the Company has a contractual relationship with its Parent Company to pay incurred operating expenditure relating to services performed under a Cost Plus Arrangement;
- the directors' have considered the financial position, performance, and liquidity position of the parent company up to date and have assessed that the parent remains a going concern; and
- the Company implemented and tested its BCP during March 2022 with no adverse impact on Company operations and employees have continued to work from home since that date.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities and regulatory requirements as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2.3 Changes in accounting policies

There are no standards, amendments, and interpretations, which will become effective for the first time for the financial year beginning on or after 1 January 2021 that would be expected to have a material impact on the Company.

2.4 Accounting standards not yet effective

The Company did not adopt any new or amended standards in 2021 that have yet to become effective.

2.5 Foreign currencies

Functional and presentational currency

Items included in the financial statements of the Company are measured and presented in Pounds Sterling ("GBP"), being the currency of the primary economic environment in which the Company operates (the functional currency).

Transactions and balances

Foreign currency transactions are transactions denominated, or that require settlement, in a foreign currency and are translated into the functional currency using the exchange rates prevailing at the dates of the relevant transactions.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date.

Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Acadian Asset Management (UK) Limited

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Notes to the Financial Statements

As at 31 December 2021

2.5 Foreign currencies (continued)

Transactions and balances (continued)

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

2.6 Property, plant, and equipment

Tangible fixed assets are recorded at historical cost less accumulated depreciation and accumulated impairment.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost or valuation of each asset to estimated residual values evenly over its expected useful life, as follows:

Long-term leasehold Property	3 – 5 years
Fixtures and Fittings	3 years
Computer Equipment and software	3 years
Artwork	No depreciation has been provided for on artwork as the estimated residual value of the asset is not considered to be materially different from the carrying amount.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Statement of Comprehensive Income.

2.7 Investments

Equity investments are recognised initially at fair value which is normally transaction price. Subsequently they are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available. If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measured is treated as the cost of the instrument.

Acadian Asset Management (UK) Limited

Registered No: 05644066

Notes to the Financial Statements

As at 31 December 2021

2.8 Impairment

At each Statement of Financial Position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.9 Revenue recognition

Under IFRS 15, the Company recognises revenue when a customer obtains control of promised services in an amount that reflects the consideration the entity expects to receive in exchange for those services. The Company applied the five-step method outlined in IFRS 15 to all revenue streams.

The Company's consolidated revenue recorded pursuant to IFRS 15 is recognised over time and primarily consists of management fees. Management fees are typically billed monthly or quarterly for managing the assets of clients.

The Company's revenue is derived from investment management, marketing and support services. Revenue is recognised when the Company satisfies its performance obligation to provide a service to a customer. Revenue from investment management services is recognised over the period the service is provided once the Company receives confirmation of the assets under management. Revenue from investment research and advisory services is recognised over the period that the Company is engaged by the client and provides the service. Since the services are provided continuously over the contractual period, they satisfy their performance obligation over time. Revenue is only recognised to the extent that it is highly probable that a significant reversal in the revenue recognised will not occur.

2.10 Direct expenses

Expenses are recognised in the financial statements on an accruals basis, net of Value Added Tax (VAT).

Acadian Asset Management (UK) Limited

Registered No: 05644066

Notes to the Financial Statements

As at 31 December 2021

2.11 Interest received

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents.

2.12 Trade and other receivables

Trade and other receivables are recognised at cost less any provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the original carrying amount and the recoverable amount and this difference is recognised in the Statement of Comprehensive Income.

2.13 Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Trade and other payables

Trade and other payables are obligations on the basis of normal credit terms and do not bear interest and are recognised on an accruals basis.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the authority becomes aware of the obligation and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

2.16 Taxation and deferred taxation

Current income tax

Current income tax charge is calculated on the basis of the applicable tax law in the jurisdiction in which it is generated by the Company's activities. It is recognised as an expense for the period except to the extent that such current tax is charged or credited directly to equity or other comprehensive income. Where the Company has tax losses that can be relieved against a tax liability for a previous period, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against any existing current tax balance.

Where tax losses can be relieved only by being carried forward and applied against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the Statement of Financial Position.

Acadian Asset Management (UK) Limited

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Notes to the Financial Statements

As at 31 December 2021

2.16 Taxation and deferred taxation (continued)

Current income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

The tax effects of carrying forward unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

2.17 Leases

The Company applied IFRS 16 using the modified retrospective method. On application, the Company applied IFRS 16 as at 1 January 2019. The Company chose a practical expedient to grandfather the leases and not reassess all contracts the Company entered into prior to 1 January 2019. The definition of a lease under IFRS 16 was only applied to contracts entered into or changed on or after 1 January 2019.

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Company's incremental borrowing rate at 1 January 2019. The resulting right-of-use assets and lease liabilities are recognised on the Statement of Financial Position. Future leases will be recognised using the standard rules of IFRS 16.

2.18 Pensions

Contributions to defined contribution schemes are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme. Unpaid pension contributions are included on the Statement of Financial Position, at the year end £6,375 remained payable (2020: £6,655).

3. Financial risk management

The Company's activities expose it to a variety of financial risks: foreign exchange risk, price risk, cash flow interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

3.1 Market risk

The Company's activities potentially expose it to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and foreign currency risk, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

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Notes to the Financial Statements

As at 31 December 2021

3.1.1 Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Were the value of Pound Sterling to weaken by 10% at the Statement of Financial Position date then the profit for the year would have increased by £29,367 (2020 – £22,990). Were the value of Pound Sterling to strengthen by 10% at the Statement of Financial Position date then the profit for the year would have fallen by £26,697 (2020 - £20,900). This analysis assumes that all other variables remain constant and is performed on the same basis for the prior year.

3.1.2 Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs or reduced income from the Company's interest-bearing financial assets and liabilities. The interest rate risk arising on interest income is immaterial and the Company does not currently consider it necessary to actively manage interest rate risk.

3.2 Credit risk

Credit risk is the risk of suffering financial loss should the Company's customers, clients or counterparties fail to fulfil their contractual obligations to the Company. The Company's core business is primarily to advise and/or manage investment funds, or to advise other related companies on investment decisions. As a result, the Company is not exposed to any material third party credit risk as all receivables are due from related companies. The carrying value of financial assets does not materially differ from their fair value.

	2021	2020
	£	£
Trade debtors	472,081	276,611
Amounts owed by group undertakings	13,078,817	11,553,203
VAT receivable	71,291	3,030
Other receivables	18,000	18,000
Prepayments and accrued income	2,463,212	2,378,087
Cycle to work scheme	2,333	-
Deferred tax asset	289,825	165,351
	16,395,559	14,394,282

The fair value of cash and cash equivalents at 31 December 2021 approximates to the carrying value. The Company seeks to limit the level of credit risk on the cash and cash equivalent balance of £7,435,253 (2020 - £4,280,897) by only depositing funds with counterparties with high credit ratings. Bank accounts are held with Barclays Bank PLC which has a credit rating of A1 (Stable) at the date of approval of these financial statements.

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As at 31 December 2021

3.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management is achieved by maintaining sufficient cash balance and the availability of funding through an adequate amount of committed credit facilities. The Company manages liquidity by maintaining sufficient cash with banks and with short-term liquidity funds to meet its changing commitments. At present the Company does not make use of any debt or credit facilities.

The table below presents the cash flows payable by the Company by remaining contractual maturities at the Statement of Financial Position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2021	Up to 3	3 – 6	6 – 12	Total
	Months	months	months	
	£	£	£	
Trade payables	24,989	-	-	24,989
Corporation tax	2,704	-	-	2,704
Other payables	80,071	-	-	80,071
Accruals and deferred income	2,843,481	-	-	2,843,481
Total trade and other payables	2,951,245	-	-	2,951,245

As at 31 December 2020	Up to 3	3 – 12	6 – 12	Total
	Months	months	months	
	£	£	£	
Trade payables	15,362	-	-	15,362
Corporation tax	20,335	-	-	20,335
Other payables	95,537	-	-	95,537
Accruals and deferred income	1,719,789	-	-	1,719,789
Total trade and other payables	1,851,023	-	-	1,851,023

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Notes to the Financial Statements

As at 31 December 2021

3.3.1 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for members and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company is required to maintain a sufficient level of capital and liquid assets to remain compliant with their FCA authorisation. The Company retains a surplus in excess of these requirements.

4. Critical accounting estimates and judgments

The Company's financial statements are influenced by accounting policies, assumptions, estimates and management's judgment, which necessarily have to be made in the course of preparation of the financial statements.

The Company determines estimates and assumptions that affect the reported amounts of assets and liabilities for the next financial period. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. The application of accounting policies and management's judgments for certain items are especially critical for the Company's results and financial situation due to their materiality.

Useful economic lives of non-current assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Note 12 details the carrying amount of the non-current assets and note 2.6 details the estimated useful economic lives for each class of asset.

Impairment of trade and other receivables

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management consider factors including the current credit rating of the receivable, the ageing profile of the receivable and historical experience. Note 14 details the net carrying amount of trade and other receivables and any associated provision.

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Notes to the Financial Statements

As at 31 December 2021

4.1 Going concern

The directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resource to continue in business for at least 12 months from the date of approval of the financial statements. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. Revenue

Revenue comprises marketing and support fees received from the Company's parent under a sub-advisory and services agreement (see note 6) and management fees in respect of investment services provided by the Company.

	2021	2020
	£	£
Marketing and support fees	9,239,274	7,411,943
Investment management fees	8,625,435	8,183,268
	<u>17,864,709</u>	<u>15,595,211</u>
Geographical segmentation:		
United States	9,239,274	7,411,943
Holland	1,563,584	1,495,407
Switzerland	368,214	374,536
UK	1,164,534	1,330,765
Denmark	2,709,342	3,306,237
Jersey	71,393	116,111
Oman	124,159	148,040
Germany	436,110	406,355
France	594,396	475,683
Cayman Islands	144,693	17,938
Saudi Arabia	619,303	108,763
Kuwait	829,707	403,433
	<u>17,864,709</u>	<u>15,595,211</u>

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Notes to the Financial Statements

As at 31 December 2021

6. Sub-advisory and services agreement

The Company entered into a sub-advisory and services agreement with its parent Acadian Asset Management LLC. Under the terms of the agreement, the Company provides marketing and support services to the parent and receives compensation equal to 108% of the total amount of costs and expenses incurred. In addition, the parent acts as investment sub-advisor for the Company's clients and receives a sub-advisory fee equal to 56% of the investment management fees paid by each respective investment account to the Company.

During the year, the Company charged £9,239,274 (2020 - £7,411,943) to Acadian Asset Management LLC (the 'LLC') for marketing and support fees. The Company was also charged sub-advisory fees by the LLC totalling £4,830,244 (2020 - £4,582,630).

7. Administrative expenses

The operating profit is stated after charging:	2021	2020
	£	£
Depreciation – owned assets	509,745	505,298
Depreciation – right-of-use assets	420,268	420,268
Auditor's remuneration for audit of these financial statements	39,000	34,000
Auditor's remuneration for other services	12,600	12,000
Foreign exchange losses	<u>120,435</u>	<u>583</u>

8. Finance income

	2021	2020
	£	£
Interest receivable on corporation tax	920	-
Bank interest receivable	<u>6</u>	<u>37</u>
	<u>926</u>	<u>37</u>

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Notes to the Financial Statements

As at 31 December 2021

9. Staff costs

Staff costs were as follows:

	2021	2020
	£	£
Wages and salaries	5,311,587	3,850,778
Social security costs	707,409	520,320
Pension costs	51,861	38,867
	<u>6,070,857</u>	<u>4,409,965</u>

The average monthly number of employees, including the directors during the year was as follows:

	2021	2020
	No.	No.
Average number of employees	<u>19</u>	<u>19</u>

10. Directors' remuneration

	2021	2020
	£	£
Remuneration	<u>1,783,777</u>	<u>1,029,929</u>

The highest paid director received remuneration of £1,082,819 (2020 - £614,186).

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Notes to the Financial Statements

As at 31 December 2021

11. Income tax expense

Analysis of tax charge in the year	2021 £	2020 £
Current tax:		
UK corporation tax charge on profit for the year	901,608	830,335
Adjustment in respect of prior periods	-	8,423
Total current tax charge	901,608	838,758
Deferred tax:		
Origination and reversal of timing differences	(54,915)	(45,885)
Adjustment in respect of prior periods	-	(35,114)
Effect of changes in tax rates	(69,559)	-
Total current tax charge	(124,474)	(80,999)
Total tax charge on profit on ordinary activities	777,134	757,759

The tax assessed for the year is lower than (2020 – lower than) the standard rate of corporation tax in the UK of 19% (2020 – 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	4,428,187	4,077,872
Tax on profit at standard UK tax rate of 19% (2020 – 19%)	841,356	774,796
Effects of:		
Non-deductible expenses	755	951
Transfer pricing adjustments	2,106	6,246
Depreciation – non qualifying assets	2,476	2,457
Adjustments to current tax in respect of prior periods	-	(26,691)
Tax rate changes	(69,559)	-
Total tax charge on profit on ordinary activities	777,134	757,759

Factors affecting the tax charge for the year:

The UK Corporation tax rate is currently 19%. The UK Chancellor announced in the March 2021 budget that the rate will increase to 25% from April 2023. The rate increase was substantively enacted in May 2021 and the UK deferred tax balances have been revalued accordingly.

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Notes to the Financial Statements

As at 31 December 2021

12. Property, plant and equipment

	Long-term leasehold property £	Fixtures and fittings £	Computer equipment and software £	Artwork £	Total £	Right-of-use asset £
Cost:						
At 1 January 2021	1,539,308	401,964	155,293	9,277	2,105,842	2,067,446
Additions	-	-	1,161	-	1,161	-
Disposals	-	-	-	-	-	-
At 31 December 2021	1,539,308	401,964	156,454	9,277	2,107,003	2,067,446
Accumulated depreciation:						
At 1 January 2021	511,519	226,772	93,820	-	832,111	805,513
Charge for the year	333,165	133,988	42,592	-	509,745	420,268
Disposals	-	-	-	-	-	-
At 31 December 2021	844,684	360,760	136,412	-	1,341,856	1,225,781
Net book value:						
At 31 December 2021	694,624	41,204	20,042	9,277	765,147	841,665
At 31 December 2020	1,027,789	175,192	61,473	9,277	1,273,731	1,261,933

13. Investments

The Company did not make any further investments into the Diversified Alpha Fund during this or the prior financial period. As at the end of the year, the investment amounted to £39,336 (2020: £39,336).

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Notes to the Financial Statements

As at 31 December 2021

14. Trade and other receivables

	2021 £	2020 £
Trade debtors	472,081	276,611
Amounts owed by group undertakings	13,078,817	11,553,203
VAT receivable	71,291	3,030
Other receivables	18,000	18,000
Prepayments and accrued income	2,463,212	2,378,087
Cycle to work scheme	2,333	-
Deferred tax asset	289,825	165,351
	<u>16,395,559</u>	<u>14,394,282</u>

The amounts owed by group undertakings are interest-free and repayable on demand.

15. Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents at the end of the year comprise the following balances:

	2021 £	2020 £
Cash at bank	<u>7,435,253</u>	<u>4,280,897</u>
	<u>7,435,253</u>	<u>4,280,897</u>

The fair values of cash and cash equivalents approximate to the book value due to the short-term maturity of these instruments.

16. Share capital

	2021 £	2020 £
950,000 Ordinary shares of £1 each	<u>950,000</u>	<u>950,000</u>

Acadian Asset Management (UK) Limited

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Notes to the Financial Statements

As at 31 December 2021

17. Retained earnings

	Profit and loss account £
At 1 January 2021	16,766,807
Profit for the financial year	3,651,053
At 31 December 2021	<u>20,417,860</u>

18. Trade and other payables

	2021 £	2020 £
Trade payables	24,989	15,362
Corporation tax	2,704	20,335
Other payables	80,071	95,537
Accruals	<u>2,843,481</u>	<u>1,719,789</u>
	<u>2,951,245</u>	<u>1,851,023</u>

19. Lease liabilities

	2021 £
Maturity analysis – contractual undiscounted cash flows	
Less than one year	576,844
One to five years	624,914
More than five years	-
Total undiscounted lease liabilities at 31 December 2021	<u>1,201,758</u>
Lease liabilities included in the statement of financial position at 31 December 2021	
	<u>1,157,855</u>
Current	544,507
Non-current	613,348
Amounts recognised in profit or loss	
Interest on lease liabilities	<u>52,349</u>

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As at 31 December 2021

20. Related party transactions

During the year, the Company charged £9,239,274 (2020 - £7,411,943) to Acadian Asset Management LLC (the 'LLC') for marketing and support fees. The Company was also charged sub-advisory fees by the LLC totalling £4,830,244 (2020 - £4,582,630). As at the year-end, £13,078,817 (2020 - £11,553,203) remained due from the LLC and is included in amounts owed by group undertakings in note 14. The LLC is the parent company of Acadian Asset Management (UK) Ltd.

The total compensation paid to key management personnel (excluding directors' remuneration) during the year was £912,728 (2020 - £183,162). Directors' remuneration is disclosed in note 10.

21. Ultimate parent undertaking and controlling party

IMMEDIATE PARENT UNDERTAKING

Acadian Asset Management LLC, 260 Franklin Street, Boston, MA 02110 USA, organised in the United States is the immediate parent undertaking.

ULTIMATE PARENT UNDERTAKING

BrightSphere Investment Group Plc registered in Delaware, United States, is the ultimate parent undertaking.

22. Approval of financial statements

The financial statements were authorised for issue on 27th April 2022 by the Board of Directors.

Acadian Asset Management (UK) Limited

December 2021

Pillar 3 Disclosure and Policy

Introduction

Regulatory Context

The Pillar 3 disclosure of Acadian Asset Management (UK) Limited ("the Firm") is set out below as required by the FCA's "Prudential Sourcebook for Banks, Building Societies and Investment Firms" (BIPRU) specifically BIPRU 11.3.3 R. This follows the introduction of the Capital Requirements Directive ("CRD") which represents the European Union's application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

Frequency

The Firm will be making Pillar 3 disclosures annually. The disclosures will be as of the Accounting Reference Date ("ARD").

Media and Location

The disclosure will be published on the Companies House Website, under registration No 05644066. <http://www.companieshouse.gov.uk/>

Verification

The information contained in this document has not been audited by the firm's external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm.

Materiality

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable. Furthermore, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

Summary

The CRD requirements have three pillars. Pillar 1 deals with a firm's minimum capital requirements; Pillar 2 deals with a firm's Internal Capital Adequacy Assessment Process ("ICAAP") and the Supervisory Review and Evaluation Process through which the firm and regulator satisfy themselves on the adequacy of capital held by the firm in relation to the risks it faces and Pillar 3 which deals with the Firm's public disclosure of its risk management policies,

capital resources and capital requirements. The regulatory aim of the disclosure is to improve market discipline. Acadian Asset Management (UK) Limited is an Investment Management Firm. It acts solely as an agent and does not hold custody of client assets. The Firm's greatest risks have been identified as business and operational risks. We are required to disclose our risk management objectives and policies for each separate category of risk. These include the strategies and processes we use to manage those risks; the structure and organisation of our relevant risk management function or other appropriate arrangements we have in place; the scope and nature of our risk reporting and measurement systems; our policies for hedging and mitigating risk, and the strategies and processes we employ for monitoring the continuing effectiveness of risk hedges and mitigants.

The Firm has assessed business and operational risks in its ICAAP and set out appropriate actions to manage them.

A number of key operations are outsourced by our clients to third party providers, thus reducing our exposure to operational risk. These include client directed and controlled arrangements with custodians, administrators, and accounting agents. We have an operational risk framework (see page 4) in place to mitigate operational risk. The Firm's main exposure to credit risk is the risk that management and performance fees cannot be collected. Given our experience, we believe that the credit risk is low. The Firm holds all cash and performance fee balances with banks assigned high credit ratings.

Market Risk exposure has been assessed by the Firm and is limited to the Firm's exposure to any amount's receivable by the Firm in a foreign currency. All foreign currency receivable balances are converted into GBP on a regular basis.

Background to the Firm
<p>Background</p> <p>Acadian Asset Management (UK) Limited is a limited company incorporated in England and Wales with the Company registration number 05644066 and is authorised and regulated by the Financial Conduct Authority ("the FCA") as an Investment Management Firm. The Firm's activities give it the BIPRU categorisation of a "Limited Licence" and a "BIPRU €50K" firm.</p> <p>The Firm is part of a UK consolidation group with a Non-EEA parent, Acadian Asset Management LLC, which is registered as an investment adviser with the U.S. Securities and Exchange Commission. It is not registered with or authorized by the FCA. Pursuant to a service agreement between the Firm and Acadian Asset Management LLC, each may provide certain services on behalf of the other and their respective clients.</p>
<p>BIPRU 11.5.1 R</p> <p>Disclosure: Risk Management Objectives and Policies</p>
<p>Risk Management Objective</p> <p>Our general risk management objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital.</p> <p>Governance Framework</p> <p>The Board of Directors is the Governing Body of the Firm and has the daily management and oversight responsibility. It meets quarterly.</p> <p>The Board is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Governing Body decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify areas of risks, to measure their potential impact and then to ensure that such risks are actively managed. Senior Management is accountable to the Board for designing, implementing, and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm.</p> <p>Risk Framework</p> <p>Risk within the Firm is managed by use of the following:</p> <ul style="list-style-type: none">• The Firm has a conservative approach to risk;• The Firm has identified its risks and recorded them in a 'Risk Register';• The 'Risk Register' is reviewed at quarterly meetings of the Board;• The Firm has undertaken scenario Analysis and Stress Tests on the most significant risks identified. This informs the Firm how risks are likely to behave and what, if any, impact there is likely to be to our Balance Sheet;• The Firm has in place an internal control framework to govern its processes and procedures and to mitigate any risks;• Proprietary and commercially available automated and manual programs and processes are employed to manage portfolio and compliance risk including the coding of the restrictions and requirements applicable to each account into an automated portfolio management system to be automatically applied to the account prior to each rebalance and automated post-trade compliance systems applying the same restrictions post-trade and daily;• Compliance monitoring programme and compliance checklists; and

- Quarterly Operations and Compliance meetings.

Attracting new clients is seen as top priority and this risk is managed through a robust business development plan.

The Finance requirements are the responsibility of Deirdre Driscoll, Vice President – Controller of Acadian Asset Management LLC. She is supported by staff in the finance and compliance/risk professionals employed by Acadian Asset Management UK & LLC. The Firm is assisted by Duff and Phelps Partners in completing the ongoing compliance monitoring.

The Firm has a Compliance Manual and Code of Ethics which is provided to all members of staff upon joining and at least annually thereafter as the manuals are updated.

BIPRU 11.5.4 R

Disclosure: Compliance with BIPRU 3, BIPRU 4, BIPRU 6, BIPRU 7, BIPRU 10 and the Overall Pillar 2 Rule

BIPRU 3

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component the Firm has adopted the Standardised approach (BIPRU 3.4) and the Simplified method of calculating risk weights (BIPRU 3.5).

Credit Risk calculation (31 Dec 2021)

Credit Risk Capital Requirement	Rule	Risk weighted exposure amount		
Credit risk capital component	BIPRU 3.2	£1,830,618		
Counterparty risk capital component	BIPRU 13 & 14	n/a		
Concentration risk capital component	BIPRU 10	n/a		
Total		£1,830,618		

	Rule	Exposure	Risk Weight	Risk weighted exposure amount
National Government Bodies/Banks	BIPRU 3.4.1	£7,435,253	20%	£1,487,051
Deferred Tax	BIPRU 3.4.13	£289,825	0%	£0
Banks etc short-term	BIPRU 3.4.31	£18,000	100%	£18,000
Exposure to Corporates/Debtors	BIPRU 3.4.52	£2,508,482	100%	£2,508,482
Prepayments	BIPRU 3.4.128	£426,811	100%	£426,811
VAT	BIPRU 3.4.13	£71,291	0%	£0
Fixed assets	BIPRU 3.4.127	£1,609,145	100%	£1,609,145
Fees Receivable from LLC	BIPRU 3.4.128	£16,793,895	100%	£16,793,895
Investments (Seeder)	BIPRU 3.4.47	£39,336	100%	£39,336
Total		£29,192,038		£22,882,720

Credit Risk Capital Component	8% of risk weighted exposure	£1,830,618
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BIPRU 4

The Firm does not adopt the Internal Ratings Based approach and hence this is not applicable.

BIPRU 6

The Firm, being a Limited Licence Firm is not subject to the Operational Risk Requirement and, therefore, this is not applicable.

BIPRU 7

The Firm has Non-Trading Book potential exposure only (BIPRU 7.4, 7.5).

BIPRU 10

The Firm is not subject to the Large Exposure Rules at BIPRU 10 and, therefore, no disclosure on this is required.

Overall Pillar 2 Rule

The Firm has adopted the Structured approach to the calculation of its ICAAP Capital Resources Requirement as outlined in the Committee of European Banking Supervisors Paper, 25 January 2006.

The ICAAP assessment is reviewed by the Board and amended where necessary, on an annual basis or when a material change to the business occurs. The Board also reviews and endorses the risk management objective every quarter or when a material change to the business occurs at the same time as reviewing and signing off the ICAAP document.

BIPRU 11.5.8 R

Disclosure: Credit Risk and Dilution Risk

The Firm is primarily exposed to Credit Risk from the risk of non-collection of advisory and sub-advisory fees. It holds all cash and performance fee balances with Banks assigned high credit ratings. Consequently, risk of past due or impaired exposures is minimal. A financial asset is past due when a client has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

BIPRU 11.5.12 R

Disclosure: Market Risk

The Firm has Non-Trading Book potential exposure only (BIPRU 7.4 & 7.5).

Market Risk calculation (Based on ICAAP 31 December 2021)

	Rule	Position	Risk Weight	PRR
Interest rate positional risk requirement	BIPRU 7.2	£0	8%	£0
Equity positional risk requirement	BIPRU 7.3	£0	8%	£0
Commodity positional risk requirement	BIPRU 7.4	£0	8%	£0
Foreign currency positional risk requirement	BIPRU 7.5	£2,79,677	8%	£198,374
Foreign currency Due to LLC	BIPRU 7.5	£(3,715,078)	8%	£(297,206)
Collective investment undertaking positional risk requirement	BIPRU 7.7	£0	32%	£0
Total		£(1,235,401)		£(98,832)

BIPRU 11.5.2 R

Disclosure: Scope of application of directive requirements

The Firm is subject to the disclosures under the *Banking Consolidation Directive*. While the firm is a member of a UK Consolidation Group there is no difference in the basis of consolidation for accounting and prudential purpose and the further provisions of this section are satisfied.

BIPRU 11.5.3 R

Disclosure: Capital Resources

The Firm is a BIPRU Investment Firm without an Investment Firm Consolidation Waiver deducting Material Holdings under (GENPRU 2 Annex 4). Tier 1 Capital comprises of fully paid shares and Audited Reserves.

Tier 1 Capital (31 Dec 2021)	£21,417,860
Deductions	£0
Tier 2 Capital	£0
Deductions	£0
Capital Resources	£0
Tier 3 Capital	£0
Deductions	£0
Total Capital	£21,417,860

BIPRU 11.5.5 R

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by BIPRU 11.5.4R (3).

BIPRU 11.5.6 R

This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by BIPRU 11.5.4R (3).

BIPRU 11.5.7 R

This disclosure is not required as the Firm does not have a Trading Book.

BIPRU 11.5.9 R

This disclosure is not required as the Firm does not make Value Adjustments and Provisions for Impaired Exposures that need to be disclosed under BIPRU 11.5.8R (9).

BIPRU 11.5.10 R

Disclosure: Firms calculating Risk Weighted Exposure Amounts in accordance with the Standardised Approach

This disclosure is not required as the Firm uses the Simplified method of calculating Risk Weights (BIPRU 3.5).

BIPRU 11.5.11	R
Disclosure: Firms calculating Risk Weighted Exposure amounts using the IRB Approach	
This disclosure is not required as the Firm has not adopted the Internal Ratings Based approach to Credit Risk and therefore is not affected by <u>BIPRU 11.5.4R (3)</u> .	
BIPRU 11.5.13	R
Disclosure: Use of VaR model for calculation of Market Risk Capital Requirement	
This disclosure is not required as the Firm does not use a VaR model for calculation of Market Risk Capital Requirement.	
GENPRU 2.1.53	R
Disclosure: Operational Risk	
Our Fixed Overhead Requirement (FOR) is disclosed as a proxy for the Pillar I Operational Risk Capital calculation. Our Pillar I Capital Resources Requirement is the FOR which is the higher of FOR and the sum of Market Risk and Credit Risk Requirement.	
(Based on ICAAP 31 December 2021)	
Fixed Overhead Requirement	GENPRU 2.1.53
	<u>£1,060,267</u>
BIPRU 11.5.15	R
Disclosure: Non-Trading Book Exposures in Equities	
This disclosure is not required as the Firm does not have a Non-Trading Book Exposure to Equities.	
BIPRU 11.5.16	R
Disclosures: Exposures to Interest Rate Risk in the Non-Trading Book	
Although the Firm has substantial cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations.	
BIPRU 11.5.17	R
Disclosures: Securitisation	
This disclosure is not required as the Firm does not Securitise its assets.	

BIPRU 11.5.18 R

Disclosure: Remuneration

The Firm is a Remuneration Code Proportionality Level 3 Firm and has applied the rules appropriate to its Proportionality Level. The Remuneration Committee is responsible for the Firm's remuneration policy. All remuneration is adjusted in line with capital and liquidity requirements.

Remuneration Code Staff remuneration by business area (BIPRU 11.5.18(6))

Business area

Acadian Asset Management (UK) Ltd (As at 31 Dec 2021)
(Fixed and Variable)

Total remuneration

£3,378,738

Aggregate quantitative remuneration by senior management and other Remuneration Code Staff (BIPRU 11.5.18(7))

Type of Remuneration Code Staff
Senior management (As at 31 Dec 2021)

Number of staff
6

Total Remuneration
£3,378,738

Totals

6

£3,378,738