

BROWN ADVISORY LIMITED

Annual Report and Financial Statements

Registered No: 06363486

31 December 2021



Brown Advisory Limited - Year ended 31 December 2021

Brown Advisory Limited

Registered Office

18 Hanover Square
London
W1S 1JY

Registered in England & Wales

Registered No. 6363486

Telephone: +44 203 301 8130

Fax: +44 203 301 8145

Website: www.brownadvisory.com

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

Brown Advisory Limited - Year ended 31 December 2021

Table of Contents

	Page
Strategic Report	3
Directors' Report	6
Independent Auditors' Report to the Members of Brown Advisory Limited	9
Profit and Loss Account	12
Balance Sheet	13
Statement of Changes in Equity	14
Cash Flow Statement	15
Notes to Financial Statements	16

Strategic Report

Review of Business

Brown Advisory Limited (“the Company”) principal activities consist of:

- Marketing Brown Advisory Funds Plc single strategy investments
- Managing private client investment accounts
- Sub-advising Brown Advisory Funds Plc single strategy investments
- Research advice and identification of transaction opportunities

The Company markets units of Brown Advisory Funds Plc (“the Funds”), an investment company with variable capital, incorporated and authorised in Ireland as an undertaking for collection investment in transferrable securities, and managed by Brown Advisory (Ireland) Limited (“MANCO”), an Irish related party who delegates investment management to Brown Advisory LLC (“BALLC”), a United States (“US”) related party.

The Company’s business strategy is to grow Brown Advisory’s institutional and private client business by increasing assets under management. The Company markets the Funds and single strategy separate account business in order to attract further investments managed from the US while, at the same time, increasing the number and size of mandates of its investment business in the United Kingdom (“UK”).

Effective 1 January 2016, 100% of the share capital of Brown Advisory Limited, was contributed to Brown Advisory Management, LLC (“BAM”), a related party, from Brown Advisory Incorporated (“BAI”). As of 1 January 2016, BAM owned 100% of the shares in the Company. In addition, BAM is wholly-owned by a holding company, Brown Advisory Group Holdings LLC (“BAGH”), resulting in BAGH being the ultimate parent of the Company.

On 24 December 2020, the UK and European Union (“EU”) reached an agreement on the terms for a future relationship (“a deal”) from the end of the transition period on 31 December 2020. The agreement focused primarily on providing tariff- and quota-free trading of goods, and only minimally addresses the cross-border provision of services. As expected, it did not include the right to passport financial services from the UK into the EU which ceased at the end of the transition period. For the purposes of financial services, access to the EU’s Single Market is dependent on positive equivalence determinations from the European Commission which in the future are possible, but not expected. Delegation of activities, including the portfolio management of UCITS funds and alternative funds from the EU to the UK can remain in place as expected into 2022. These delegation arrangements do not rely on equivalence decisions under current EU rules. It remains uncertain on the impact of distribution efforts across the EU. As a result of the uncertainty, the MANCO seconded two employees of the Company, effective 1 January 2021, to continue distribution across the EU in the Nordic and Dach regions. One employee has since become an employee of the MANCO and is no longer employed by the Company. The Company also continues to be engaged by BALLC to act as a subadvisor and distributor of the Funds.

Review of Operations and Key Performance Indicators

Total Brown Advisory Funds Plc assets at 31 December 2021 were £9,552,863,000 as compared to £6,115,600,000 in the prior year.

Private client assets under management at 31 December 2021 were £2,030,174,000 as compared to £1,378,578,000 in the prior year.

The Company’s profit for the financial year ended 31 December 2021 was £8,595,984 as compared to a profit of £2,966,442 in the prior year. The increase in profit is primarily related to an increase to client assets and service fee revenue.

Strategic Report (continued)

Review of Operations and Key Performance Indicators (continued)

	Year ended 31 December,	
	2021	2020
Turnover	£ 37,832,758	25,812,395
Operating income	5,231,868	2,964,658
Profit for the financial year	8,595,984	2,966,442
Shareholder's funds	18,623,288	10,027,304
Cash at bank and in hand	9,492,263	4,565,720
Current ratio	303%	268%
Average number of employees	58	53

Review of Operations and Key Performance Indicators (continued)

Details of the results for the year are set out in the profit and loss account on page 12. In accordance with the Company's regulatory capital requirements, BAM contributed £0 (2020: BAM contributed £2,500,000) of additional paid-in capital to the Company during 2021. The Company's net assets as of 31 December 2021 were £18,623,288 (2020: £10,027,304).

Future Developments

The Firm continues to monitor the Coronavirus Disease 2019 ("COVID-19"), based on the guidance being provided by the relevant health and government authorities, and continues to implement protocols and processes in response to the spread of the virus. For more detail on Firmwide measures refer to operational risk (page 5). The Company has not experienced a significant impact on its financial performance, or capital or liquidity positions during the year as a result of COVID-19.

Statement by the Directors in performance of their statutory duties in accordance with s.172(1) Companies Act 2006

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

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

The Directors promote the Company's mission to meet tactical performance, advice, and service our clients. The Company's purpose is to leave a positive and material legacy for the families and institutions whom we serve as clients, as well as the communities in which our clients live.

Strategic Report (continued)

The Company's equity structure allows the Company to attract and retain talent and to build deep, multifaceted teams that add to our clients' experience. The Board promotes the Company's client first, colleague driven, community focused and culture led environment. The Company focuses on excelling in all things without compromising integrity in an inclusive professional environment. This culture is based on protecting the equity structure, celebrates diversity and inclusion and the importance of investment results and the impact value of sustainable investing.

Regulatory capital requirements are intended to preserve 25% of capital available to meet employee, customer, and supplier obligations in the event of a wind down. The capital adequacy is monitored monthly and reviewed quarterly by the Board for necessary contributions.

Sustainable investing is increasingly important to a growing number of our clients, so we have committed the full resources of our firm to helping them achieve the strategic, financial and values-oriented success that they seek. In 2019 the Funds launched a sustainable UCITS to better serve clients and the community to achieve their goals.

Principal Risks and Uncertainties

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

- **Market risk** – is the risk that client assets are subject to market fluctuations and changes to general economic conditions. The Company seeks to minimise the impact of this risk through a varied offering of products and services.
- **Regulatory risk** - Legal/regulatory risk is the risk that changes in the legal or regulatory environment in which the Company operates could result in increased competition, reduced demand for the Company's products or services, or additional unanticipated expenses incurred. The Company employs compliance and operating practices that identify and minimise the adverse impact of this risk. The Company additionally attempts to minimise adverse impact of this risk through a varied offering of products and services.
- **Currency risk** – is the risk that changes in currency exchange rates impact amounts receivable from clients or payable to vendors and related parties. The Company seeks to minimise the impact of this risk through receiving payments in multiple currencies and the the ultimate parent entering into spot and forward contracts.
- **Climate Risk** – Climate risk is a risk related to the transition to a lower-carbon economy and risks related to the physical impacts of climate change. Climate change and other events outside of our control, could adversely affect our revenues, expenses, and net income by decreasing investment valuations in, and returns on, the investment portfolios we manage. The Company attempts to minimize the adverse impact of this risk through its environmental, social, and governance research and varied offering of products and services.

On behalf of the Board.



David M. Churchill

Director

27 April 2022

Brown Advisory Limited - Year ended 31 December 2021

Directors' Report

Michael David Hankin (Chairman)
David Michael Churchill
Logie Charles Lloyd Fitzwilliams
Peter Glyn Charteris Mallinson
Edward Alexander Chadwyck-Healey
Richard Martin Thomason
Simon David Peck

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

Principal Activities, Business Review and Results

The Company was established in September 2007. The Company is regulated by the Financial Conduct Authority.

The Company financial statements are prepared under the going concern basis of accounting, which is considered to be appropriate given the financial support guaranteed by the ultimate parent, Brown Advisory Group Holdings LLC.

Key Performance Indicators, Future Developments, and the Risk Assessment are referenced in the Strategic Report.

The Pillar 3 Disclosure & Remuneration Code Disclosures can be referenced at www.brownadvisory.com/intl/disclosures.

Dividends

There were no dividends proposed or paid during the year (2020 nil).

The Directors in office during the year were as follows:

	Appointed	Resigned
Michael David Hankin	28-09-2007	—
David Michael Churchill	28-09-2007	—
Logie Charles Lloyd Fitzwilliams	28-09-2007	—
Peter Glyn Charteris Mallinson	23-09-2014	—
Edward Alexander Chadwyck-Healey	23-12-2019	—
Richard Martin Thomason	23-12-2019	—
Simon David Peck	10-04-2020	—

Directors' Report (continued)

Political and Charitable Contributions

The Company made no political contributions nor incurred any political expenditure during 2021 or 2020. The Company made fifteen charitable donations during 2021, totaling £89,269: to the British Exploring Society for £27,000, to The Centre for Entrepreneurs for £25,000, to the Just Giving Foundation for £17,151, to the GAIN Foundation for £10,593, to Leonard Cheshire foundation for £2,118, to the British Asian Trust for £2,116, to Nordoff Robbins for £1,050, to the Effective Altruism Foundation for £1,030, to the Muslim Hands for £979, to the Global Giving for £503, to Ken Anderson Alliance for £500, to Top 3000 Charities for £500, to the Acumen Fund for £471, to the Young Women's Trust for £142, and to the Wounded Warriors for £116.

The Company made seven charitable donations during 2020, totaling £62,497: to the British Exploring Society for £32,535, to The Centre for Entrepreneurs for £20,000, to the Garces Foundation for £8,420, to the Ruth Strauss Foundation for £500, to the Just Giving Foundation for £432, to the Muslim Hands for £360, and to the Multiple Sclerosis Society for £250.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' Report (continued)

Statement of Directors' Responsibilities in Respect of the Financial Statements (continued)

The directors 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.

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.

On behalf of the Board.



David M. Churchill

Director

27 April 2022



Independent auditors' report to the members of Brown Advisory Limited

Report on the audit of the financial statements

Opinion

In our opinion, Brown Advisory Limited's 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 and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Profit and Loss Account, the Statement of Changes in Equity, and the Cash Flow Statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to turnover and administrative expenses. Audit procedures performed by the engagement team included:

- Reviewing all correspondence with the Financial Conduct Authority for indicators for non-compliance with laws and regulations;
- Reviewing all relevant board minutes;
- Enquiries with management, compliance and legal, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding of management's internal controls designed to prevent and detect irregularities; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; entries posted containing unusual account descriptions and large entries, where any such journal entries were identified.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



James Mee (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 April 2022

Brown Advisory Limited - Year ended 31 December 2021

Profit and Loss Account

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
	<i>Note</i>	£	£
Turnover	2	37,832,758	25,812,395
Administrative expenses		<u>(32,600,890)</u>	<u>(22,847,737)</u>
Operating income	3	5,231,868	2,964,658
Interest income		<u>8,710</u>	<u>1,784</u>
Profit before taxation		5,240,578	2,966,442
 Tax benefit	7	<u>3,355,406</u>	<u>—</u>
Profit for the financial year		<u>8,595,984</u>	<u>2,966,442</u>

There was no other comprehensive income for 2021 (2020: Nil).

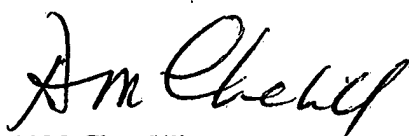
The notes on pages 16 to 26 form an integral part of these financial statements.

Brown Advisory Limited - Year ended 31 December 2021

**Balance Sheet
As at 31 December 2021**

		As at 31 December	
	Note	2021 £	2020 £
Fixed assets			
Tangible Assets	8	1,535,505	705,983
Current Assets			
Debtors	10	17,546,727	10,318,103
Cash at bank	11	9,492,263	4,565,720
Total current assets		<u>27,038,990</u>	<u>14,883,823</u>
Creditors: Amounts falling due within one year	12	(8,880,306)	(5,562,502)
Net Current Assets		<u>18,158,684</u>	<u>9,321,321</u>
Creditors: Amounts falling due after more than one year	12	(1,070,901)	—
Net Assets		<u>18,623,288</u>	<u>10,027,304</u>
Capital and reserves			
Called up share capital	13	32,808,322	32,808,322
Profit and loss account	14	(14,185,034)	(22,781,018)
Shareholder funds		<u>18,623,288</u>	<u>10,027,304</u>

The financial statements on pages 12 to 26 were approved by the Board of Directors on 26 April 2022 and signed on its behalf by:



David M. Churchill

Director

27 April 2022

Registered No: 06363486

The notes on pages 16 to 26 form an integral part of these financial statements.

Brown Advisory Limited - Year ended 31 December 2021

**Statement of Changes in Equity
For the year ended 31 December 2021**

	<i>Note</i>	Called up Share Capital £	Profit and Loss account £	Shareholders' funds £
Balance at 31 December 2019		30,308,322	(25,747,460)	4,560,862
Balance at 1 January 2020		30,308,322	(25,747,460)	4,560,862
Profit for the financial year	14	-	2,966,442	2,966,442
Additional paid-in capital	13	2,500,000	-	2,500,000
Balance at 31 December 2020		32,808,322	(22,781,018)	10,027,304
Balance at 1 January 2021		32,808,322	(22,781,018)	10,027,304
Profit for the financial year	14	-	8,595,984	8,595,984
Additional paid-in capital	13	-	-	-
Balance at 31 December 2021		32,808,322	(14,185,034)	18,623,288

The following describes the nature and purpose of each reserve within equity:

- Called up share capital - nominal value of share capital subscribed for.
- Profit and loss account - all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The notes on pages 16 to 26 form an integral part of these financial statements.

Brown Advisory Limited - Year ended 31 December 2021

Cash Flow Statement

For the year ended 31 December 2021

	<i>Note</i>	2021 £	2020 £
Cash flows from Operating Activities			
Profit		8,595,984	2,966,442
Depreciation		306,248	390,273
Increase in debtors		(7,228,624)	(6,396,743)
Decrease in creditors		4,388,705	1,578,945
Net cash from/(used) by Operating Activities		<u>6,062,313</u>	<u>(1,461,083)</u>
 Cash flows from Investing Activities			
Purchase of fixed assets	8	<u>(1,135,770)</u>	<u>(185,047)</u>
Net cash used in Investing Activities		<u>(1,135,770)</u>	<u>(185,047)</u>
 Cash flows from Financing Activities			
Issue of ordinary share capital		<u>-</u>	<u>2,500,000</u>
Net cash from Financing Activities		<u>-</u>	<u>2,500,000</u>
 Reconciliation of net cash flow			
Increase in cash in the period		4,926,543	853,870
Cash at 1 January		<u>4,565,720</u>	<u>3,711,850</u>
Cash at 31 December	10	<u>9,492,263</u>	<u>4,565,720</u>

The notes on pages 16 to 26 form an integral part of these financial statements.

Notes to the Financial Statements

(1) Accounting Policies

Brown Advisory Limited ("the Company") principal activities consist of:

- Marketing Brown Advisory Funds Plc single strategy investments
- Managing private client investment accounts
- Sub-advising Brown Advisory Funds Plc single strategy investments
- Research advice and identification of transaction opportunities

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is 18 Hanover Square, London, England W1S 1JY.

The financial statements of the Company have been prepared on the going concern basis, in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The presentation currency of these financial statements is Pounds sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

The principal accounting policies that the directors have adopted are set out below:

(a) Turnover

Service fee revenue arises from an agreement with BALLC and MANCO under which the Company receives a service fee equal to 115% of the expenses it incurs while marketing units of the Funds. MANCO is the manager of the Funds and BALLC is the investment manager of the Funds. Additionally, the Company receives a service fee for seconded employees to perform distribution services. MANCO pays the Company the cost of expenses incurred by the Company while marketing the Funds. The service fee is accrued on a monthly basis, based on the operating expenses incurred.

Management fees arise from investment management of private client accounts in the UK. Investment management and advisory services fees are generally based on the daily asset average value of the assets under management and are primarily determined, in arrears, on a quarterly basis.

Consulting and other fee revenue arises from an agreement the Company has signed to provide administrative services to a third party effective 4 June 2014, determined on a quarterly basis.

(b) Critical accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Please refer to

Notes to the Financial Statements (continued)

Critical accounting estimates and assumptions (continued)

Footnote 1(d), (g), and (i) for additional information regarding the accounting for Deferred Tax Assets, Share Based Payments, and the Long Term Incentive Plan (LTIP).

(c) Expenses

Expenses are charged to the profit and loss account on an accrual basis.

(d) Tax

Taxation expense for the financial year comprises current and deferred tax recognised in the financial year. The expense or benefit for taxation is based on the results for the year and is recognised in the profit and loss account.

Current or deferred taxation assets are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amount expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Please refer to Footnote 7 for additional detail regarding income tax.

(e) Tangible Fixed Assets and Capitalised Software

Tangible fixed assets and software are stated at cost less accumulated depreciation and amortisation. Depreciation and amortisation is provided on all tangible fixed assets and software at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as below:

	Policy
Leasehold improvements	Shorter of useful life or lease term
Fixtures, fittings and equipment	Over 3–10 years
Office equipment	Over 3–5 years
Capitalized software	Over 3–5 years

Notes to the Financial Statements (continued)

Accounting Policies (continued)

(f) Foreign Currency

Items included in the Company financial statements are measured using the currency of the primary economic environment in which the entity operates. The Company functional currency is sterling as this is the currency of the majority of transactions. The financial statements are presented in Pounds sterling, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the period.

(g) Share Based Payments

The cost of employee services received in exchange for stock compensation is measured on the grant-date fair value of the award. The fair value of the share options granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes. Options to purchase common stock of the Company's ultimate parent, BAGH via BAGH-B ("Blocker"), have a 10-year term and vest over a graduated schedule of 5 years from the grant date. Blocker was created as of 1 January 2016 to facilitate equity issuance to the Company's employees, while mitigating the employee's exposure to U.S. tax. Since BAGH settles the options, the Company has accounted for these share based payment transactions as cash settled on the basis of the recharge arrangement in place between the Company and BAGH. In accordance with FRS 102 – Section 26, the Company recognises a recharge liability in respect of the share based payments recognised.

(h) Loan Forgiveness

The Company's ultimate parent has made loans to employees to purchase common stock of the ultimate parent or Blocker. Since BAGH settles these awards, the Company has accounted for these share based payment transactions as cash settled on the basis of the recharge arrangement in place between the Company and the issuers. In accordance with FRS 102 – Section 26, the Company recognises a recharge liability in respect of the share-based payments recognised.

(i) Long Term Incentive Plan (LTIP)

BAGH has a long term incentive plan for certain of its key executives and employees. The cost of employee services received in exchange for stock compensation is measured on the grant-date fair value of the award. Share based compensation costs related to LTIPs is recognised as an expense generally over a 5-year vesting period. Since BAGH settles the LTIPS, the Company has accounted for these share based payment transactions as cash settled on the basis of the recharge arrangement in place between the Company and BAGH, and in accordance with FRS 102 – Section 26, the company recognises a recharge liability in respect of the share-based payments recognised.

(j) Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes to the Financial Statements (continued)

Accounting Policies (continued)

(k) *Post-Retirement Benefits*

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect to the accounting period.

(l) *Basic financial instruments*

Trade and other debtors / creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash

Cash, for the purpose of the cash flow statement, comprises of cash at bank.

(2) Turnover

		<u>2021</u>	<u>2020</u>
Service fee	£	16,265,059	13,577,968
Management fee		21,549,699	12,095,205
Consulting fee		<u>18,000</u>	<u>139,222</u>
	£	<u><u>37,832,758</u></u>	<u><u>25,812,395</u></u>

Services to market units of the Brown Advisory Funds Plc, as well as to manage investments, are predominantly performed in the United Kingdom.

(3) Operating profit

		<u>2021</u>	<u>2020</u>
Profit on ordinary activities before taxation is stated			
after charging:			
Depreciation/amortization and other amounts written off tangible			
fixed assets:			
Owned	£	272,328	307,076
Leased		33,921	83,197
Hire of plant - operating leases		<u>1,804,868</u>	<u>722,191</u>
	£	<u><u>2,111,117</u></u>	<u><u>1,112,464</u></u>

Notes to the Financial Statements (continued)

(4) Auditors' Remuneration

Amounts receivable by the Company's auditors in respect of the audit of the Company's financial statements for the years ended 31 December 2021 and 2020 are £21,700 and £20,000 respectively, and for audit related assurance services for the year ended 31 December 2021 and 2020 are £35,000 and £5,000, respectively, and are payable by the Company.

(5) Directors' Remuneration

The Directors' remuneration in connection with the management of the affairs of the Company are below:

	2021	2020
Director Remuneration	£ 3,001,191	2,434,817
Company contributions to individual personal pension scheme	17,180	16,775
	£ 3,018,371	2,451,592

For the year ended 31 December 2021, the Company had two directors (2020: two directors) receive Company contributions to a personal pension scheme, no directors (2020: no directors) receive shares as part of a long-term incentive scheme, and one director (2020: one director) exercise share options.

The aggregate of remunerations and amounts receivable under long term incentive schemes of the highest paid director was £1,825,240 (2020: £1,425,240), and company pension contributions of £7,180 (2020: £6,500). The director also received remunerations in connection with the management of the affairs of the Company through Blocker share units. The director received 16,055 Blocker share units in 2021 and 13,942 Blocker share units in 2020.

(6) Staff numbers and Costs

	2021 Number	2020 Number
Average number of persons, including directors, employed by the Company in the UK	58	53

The aggregate payroll costs of these persons were as follows:

	2021	2020
Wages and salaries	£ 18,875,036	11,875,424
Social security costs	2,148,675	1,931,355
Pension costs	488,736	370,356
Share based payments	676,002	636,585
Loan forgiveness	788,504	215,365
Aggregate remuneration paid and payable	£ 22,976,953	15,029,085

Notes to the Financial Statements (continued)

(7) Tax on profit

(a) Reconciliation of effective tax rate

The standard rate of tax has been determined by using the UK rates of corporation tax enacted for the year.

		<u>2021</u>	<u>2020</u>
Profit before taxation	£	5,240,578	2,966,442
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK in 2021 of 19.00%.	£	995,710	563,624
Effects of:			
Permanent differences		39,148	(365,014)
Adjustments to tax change in respect of previous year		599,027	305,742
Effect of the change in UK tax rate		(498,422)	(525,813)
Deferred tax asset (recognised) / unrecognised		<u>(4,490,869)</u>	<u>21,461</u>
Total tax benefit for the year	£	<u>(3,355,406)</u>	<u>—</u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the increased rate to 25% is known at the balance sheet date, the effects are contemplated in the assessment of deferred tax assets.

(b) Deferred Tax

The deferred tax asset in the balance sheet consists of:

		<u>2021</u>	<u>2020</u>
			Unrecognised
Fixed asset timing differences	£	(98,104)	(31,124)
Short term timing differences		1,241,867	869,779
Losses and other deductions		<u>2,235,426</u>	<u>3,652,214</u>
	£	<u>3,379,189</u>	<u>4,490,869</u>

The largest element of the deferred tax asset represents the future tax impact of carried-forward tax losses which will reduce the payment of future tax. The element of the potential deferred tax asset requires management judgement in assessing its recoverability. Accounting standards permit the recognition of a deferred tax asset to the extent that it is probable, more likely than not, that future taxable profits will be available to utilise the tax losses carried forward. The Company concluded that there is sufficient evidence that it is more likely than not that the deferred taxes are realisable, as it is forecasting pre-tax income for the foreseeable future, therefore the Company recognised the deferred tax assets accordingly. For the year ended 31 December 2021, a net deferred tax asset of £3,379,189 has been recognised in respect of losses, fixed asset timing differences and short term timing differences. For the year ended 31 December 2020, the Company had not recognised a net deferred tax asset of £4,490,869 in respect of losses and fixed asset and other short term timing differences.

Notes to the Financial Statements (continued)

(8) Tangible Fixed Assets

		Leasehold Improvements	Fixtures, fittings and equipment	Capitalized Software	Totals
Cost:					
1 January 2021	£	521,871	1,039,523	783,948	2,345,342
Additions		1,068,686	67,084	-	1,135,770
31 December 2021	£	1,590,557	1,106,607	783,948	3,481,112
Accumulated Depreciation/Amortization:					
1 January 2021	£	(488,151)	(784,181)	(367,027)	(1,639,359)
Charge for the year		(33,921)	(78,337)	(193,990)	(306,248)
31 December 2021	£	(522,072)	(862,518)	(561,017)	(1,945,607)
Net Book Value					
31 December 2021	£	1,068,485	244,089	222,931	1,535,505

(9) Operating Lease Commitments

Annual commitments under noncancelable operating leases are as follows:

		2021	2020
Operating leases which expire:			
Not later than one year	£	208,588	834,352
Later than one year and not later than five years		6,973,775	834,352
Later than five years		16,936,310	-
	£	24,118,673	1,668,704

The Company's existing lease will terminate on 30 June 2022. In relation to the termination, the Company accrued £80,000 to return the leased space to its original condition. The Company entered into a new operating lease agreement on 30 April 2021 for office space. The terms of the lease extend through April 2036 with lease payments beginning in July 2023. As of 31 December 2021, the Company has recognised a cumulative deferred rent liability of £1,070,901.

(10) Debtors

		2021	2020
Trade debtors	£	5,539,446	2,281,328
Amounts due from group undertakings		7,232,016	7,405,822
Deferred tax assets		3,379,189	-
Prepayments and accrued income		1,396,076	630,953
	£	17,546,727	10,318,103

Amounts due from group undertakings are unsecured, interest free, and repayable on demand.

Notes to the Financial Statements (continued)

(11) Cash at Bank

The Company's cash at bank was an amount of £9,492,263 and £4,565,720 held with various financial institutions as of 31 December 2021 and 2020, respectively.

(12) Creditors

	<u>2021</u>	<u>2020</u>
Amounts falling within One Year		
Accrued employee compensation	£ 6,344,326	4,458,901
Other creditors and accruals	<u>2,535,980</u>	<u>1,103,601</u>
Creditors - Short Term	8,880,306	5,562,502
 Amounts falling due after more than one year		
Other creditors and accruals	<u>1,070,901</u>	-
Creditors - Long Term	1,070,901	-
	<u>£ 9,951,207</u>	<u>5,562,502</u>

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand.

(13) Called up Share Capital

	<u>2021</u>	<u>2020</u>
Allotted, issued and fully paid:		
32,808,322 (2020: 32,808,322) Ordinary share of £1 each	£ 32,808,322	32,808,322

BAGH, the ultimate parent company, contributed £0 and £2,500,000 of additional paid-in capital to the Company during 2021 and 2020 as a result of the Company's regulatory capital requirements, respectively.

There is a single class of equity shares. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up. Each share ranks equally for any distribution made on winding up. The shares are not redeemable.

(14) Profit and loss account

	<u>2021</u>	<u>2020</u>
	<u>Profit and loss</u>	<u>Profit and loss</u>
	<u>account</u>	<u>account</u>
At beginning of year	£ (22,781,018)	(25,747,460)
Profit for the financial year	<u>8,595,984</u>	<u>2,966,442</u>
At end of year	£ (14,185,034)	(22,781,018)

Brown Advisory Limited - Year ended 31 December 2021

(15) Related Party Disclosures

BALLC is the investment manager for Brown Advisory Funds, Plc. Both BALLC and the Company are controlled by the same parent company, BAM. BALLC pays the Company 115% of the expenses incurred by the Company while marketing the Funds. The total revenue re-charge to the Company was £15,708,709 in 2021 and £13,577,968 in 2020. The total amount owed from group undertakings was £7,232,016 in 2021 and £7,405,822 in 2020. Amounts owed from or due to group undertakings are due upon demand and are not interest bearing. Refer to note 17 for the amount of expense related to share based payments recognised in the profit and loss account for the years ended 31 December 2021 and 2020, respectively.

On 10 January 2020, MANCO was appointed to act as manager to Brown Advisory Funds plc (the Funds) and the sub-funds of the Umbrella Fund, including any additional sub-funds as may be established from time to time. MANCO seconded two employees of the Company, effective 1 January 2021, to perform distribution across the EU in the Nordic and Dach regions. MANCO pays the Company the cost of expenses incurred by the Company while marketing the Funds. For the year ended 31 December 2021, the total revenue service fee to the Company was £556,350. The entity is not a subsidiary of the Company.

(16) Pension Scheme

Defined Contribution Pension Scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year ended 2021 and 2020 represents contributions payable by the Company to the scheme and amount to £488,736 and £370,356, respectively.

Contributions amounting to £19,465 and £15,021 were payable to the scheme and are included in creditors as of 31 December 2021 and 2020, respectively.

(17) Share Based Payments

The Board of Directors of BAI has approved the issuance of options to purchase its common units to key employees and directors. These options to purchase common units of BAGH or Blocker have a 10-year term and generally vest over a graded schedule of up to five years from the grant date.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model using the assumptions in the following table. The Company uses historical data to estimate the expected term of the option, such as option exercise and post-vesting departure behavior. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company estimates its stock volatility by taking the average of the stock volatilities of a selected peer group of public asset management companies.

Notes to the Financial Statements (continued)

Share Based Payments (continued)

Option activity during the years indicated as follows:

	Number of options
Balance at 31 December 2019	532,703
Granted	112,917
Transferred	—
Exercised	(87,240)
Forfeited	(560)
Expired	—
Balance at 31 December 2020	557,820
Granted	92,629
Transferred	—
Exercised	(29,925)
Forfeited	(750)
Expired	—
Adjustment*	(39,625)
Balance at 31 December 2021	580,149

*An adjustment has been made to correct the number of units for employees who transferred in previous years.

The total compensation cost for options recognised in 2021 and 2020 was £669,247 and £636,585, respectively.

In addition, BAGH provides for share-based equity awards in the form of a loan versus equity and LTIPs. The equity awards are amortised at fair value over the vesting period on a straight-line basis. All share-based equity awards are recharged and settled through an intercompany agreement.

The cost of employee services received in exchange for share based compensation is measured on the grant date fair value. The fair value of the share based equity awards is valued using a weighted average of market multiples including assets under management, revenues and earnings before interest, taxes, depreciation and amortisation, derived from comparable companies. Under this approach, the identification of comparable companies and the evaluations of multiple ranges requires significant judgement, considering both qualitative and quantitative factors.

	Number of awards
Balance at 31 December 2019	571,287
Granted	49,886
Forfeited	—
Balance at 31 December 2020	621,173
Granted	86,329
Forfeited	(115,123)
Balance at 31 December 2021	592,379

Notes to the Financial Statements (continued)

Share Based Payments (continued)

The total compensation cost for loan forgiveness recognised in 2021 and 2020 was £787,215 and £215,365, respectively.

(18) Controlling Party

Effective 1 January 2016, 100% of the share capital of Brown Advisory Limited, was contributed to BAM, a related party, from BAI. As of 1 January 2016, BAM owned 100% of the shares in the parent. In addition, BAM is wholly-owned by a holding company, BAGH, resulting in BAGH being the ultimate parent of the company. The Company's results are consolidated in to BAGH financial statements. BAGH is a privately held Delaware limited liability company.

(19) Subsequent Events

In February 2022, Russia invaded Ukraine which has resulted in geopolitical unrest across Europe and the globe. The eventual impact on the region and global economy will largely depend on the scale and duration of the conflict. The Board of Directors will continue to monitor this situation closely.

There have been no other subsequent events from the date of the balance sheet through 27 April 2022, the date at which the financial statements were available to be issued.