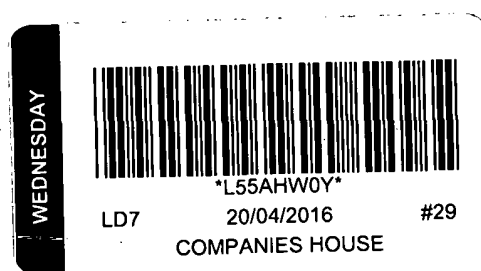


# Reports & Financial Statements

For the year ended 31 December 2015

**GMO UK Limited**

**Company Number: 04658801**



**CONTENTS**

	<b>Page</b>
Strategic Report	1 - 2
Directors' Report	3 - 4
Remuneration Code	5
Independent Auditor's Report	6 - 7
Consolidated Statement of Comprehensive Income	8
Consolidated Balance Sheet	9
Company Balance Sheet	10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	12
Consolidated Cash Flow Statement	13
Notes to the Financial Statements	14 – 30

## **GMO UK LIMITED – Company Number 04658801**

### **STRATEGIC REPORT**

**For the year ended 31 December 2015**

The Directors present their strategic report of GMO UK Limited (the “Company”) and its subsidiary GMO Investment Management Company (Ireland) Limited (“GMO IMC”), (together the “Group”) for the year ended 31 December 2015.

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The Company is a wholly-owned subsidiary of Grantham, Mayo, Van Otterloo & Co. LLC (“GMO LLC”), a limited liability company organised under the laws of the Commonwealth of Massachusetts, USA. The Company operates a branch in the Netherlands.

The Group’s principal activity is that of investment management services. There have not been any changes in the Group’s principal activity in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Group’s activities in the next year.

As shown in the Statement of Comprehensive Income, the Group’s turnover has increased by 27% (2014: decreased by 12%), administrative expenses were flat (2015: 0% change, 2014: increased by 7%) and other operating income decreased by 2% in the year (2014: increased by 22%). These factors contributed to the Group’s profit after tax increasing by 59% (2014: decreased by 16%).

The consolidated balance sheet shows the Group’s net assets have increased by 5% from £15.1m to £15.8m in the current period.

#### **Key performance indicators of the Group are:**

	<b>2015</b>	<b>2014</b>
Assets serviced by the Group as at 31 December	£9.83bn	£9.02bn
Changes in Assets serviced by the Group for the year ended 31 December	+9%	+28%
New Business won by the Group for the year ended 31 December	£1.04bn	£2.94bn

### **DIVIDEND**

A dividend of £11,500,000 (2014: £9,000,000) was paid to GMO LLC during the year. On 13 April 2016, the Directors approved the payment of a dividend to GMO LLC of £8,500,000 reducing the equity shareholder’s funds by a corresponding amount.

### **EMPLOYEES**

Details of the number of employees and related costs can be found in note 7 to the financial statements.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group’s primary objective is to deliver superior investment performance and advice to its clients. In this context, the principal risks related to the Group’s business have been identified as: (a) poor investment performance; (b) changes in the demand of clients, which may lead them to allocate their assets away from the Group or its affiliates; (c) a material fall in financial markets, which would impact asset based revenues; and (d) the loss of clients related to unsatisfactory service.

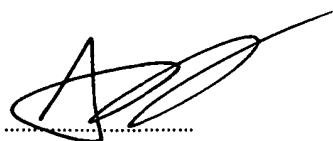
Additionally, the Group has identified the following potential risks which are not deemed to be material at this time: (a) losing key personnel; (b) financial risk and fraud; (c) liquidity risk; (d) operational and information technology risk; (e) remuneration risk; (f) regulatory risk; (g) conduct risk; and (h) business continuity risk in the event of a disaster.

**GMO UK LIMITED – Company Number 04658801**

**STRATEGIC REPORT (continued)**  
**For the year ended 31 December 2015**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group closely monitors its exposure to financial risk. The Group does not enter into any hedging transactions for its own accounts. The Group's principal financial assets are bank balances and trade and other debtors. These represent the Group's exposure to credit risk in relation to financial assets. The Group has no borrowings and, therefore, its exposure to interest rate risk is limited to returns achieved on any investments of its financial assets. The Group is exposed to currency risk from the conversion of the fees received and expenses in currencies other than pound sterling, which is the functional currency of the Company and the subsidiary undertaking, and the presentational currency of the Group. This exchange rate risk does not materially impact the Group's results.

A handwritten signature in black ink, appearing to be 'Arron Day', written over a dotted horizontal line.

**Arron Day**  
**Director**

13 April 2016

Registered Office:  
1 London Bridge  
London  
SE1 9BG

**GMO UK LIMITED – Company Number 04658801**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2015**

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2015.

### **DIRECTORS**

The Directors, who held office during the year and to the date of this report, are:

A Bark (effective 1 January 2016)

A Day (effective 1 January 2016)

S Harris

J B Kittredge

J P Mittaz

U Mueller

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for this Directors' Report and for the financial statements to be prepared in accordance with applicable law and regulations.

Company law requires the Directors to prepare or cause to be prepared financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, "UK GAAP" (United Kingdom Accounting Standards, including The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") 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 the Group and of the profit or loss of the Group for that period. The Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis provided this basis continues to be appropriate.

The Directors are responsible for adequate accounting records to be kept that are sufficient to: (1) show and explain the Group's transactions, (2) disclose with reasonable accuracy at any time the financial position of the Group and (3) ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **DIRECTORS' INDEMNITY**

The Company's Articles of Association, subject to the provisions of, and to the extent permitted by, UK legislation provide every director or other officer (excluding an auditor) of the Company an indemnity out of the assets of the Company against any liability incurred by him in the actual or purported execution or discharge of his duties, or the exercise or purported exercise of his powers or otherwise in relation to, or in connection with his duties, powers or office, but:

- this indemnity shall not apply to any liability to the extent that it is recovered from any other person; and
- the indemnity is subject to such officer taking all responsible steps to effect such recovery, so that the indemnity shall not apply to the extent that an alternative right of recovery is capable of being enforced.

Directors' and Officers' Liability insurance cover is in place in respect of the Group's Directors.

**GMO UK LIMITED – Company Number 04658801**

**DIRECTORS' REPORT (continued)**  
**For the year ended 31 December 2015**

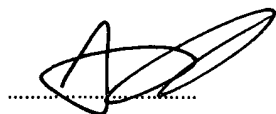
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

As Directors, we have taken all the necessary steps to make us aware of any relevant information and to establish that the auditors are aware of that information.

As far as the Directors are aware, there is no relevant information of which the Group's auditors are unaware.

**AUDITORS**

The reappointment of Mazars LLP as auditors to the Company will be considered at a subsequent Audit Committee meeting.

A handwritten signature in black ink, appearing to be 'Arron Day', written over a dotted line.

**Arron Day**  
**Director**

13 April 2016

Registered Office:  
1 London Bridge  
London  
SE1 9BG

## REMUNERATION CODE

### Introduction

This report has been prepared in accordance with the Remuneration Code (the “Code”) adopted pursuant to SYSC 19A of the FCA Handbook as applicable to the Company, which is classified as a Level 3 firm.

### Remuneration policy

The Company’s remuneration policy is to provide total remuneration that is competitive in the relevant market in order to attract, retain and motivate senior management and employees of the calibre needed to deliver the Company’s strategic objectives.

### Link between remuneration and performance

The Company considers all appropriate factors in determining remuneration, including but not limited to: the annual and long-term performance of the Company and the Company’s parent, GMO LLC; the fiscal resources available to the Company; the performance of the relevant employee; and the remuneration provided by peer institutions or groups. The Company ensures that the ratio between employee salaries and bonuses, if any, is appropriately balanced and that remuneration decisions are internally consistent.

### Business area

The Company considers it only has one business area, namely investment management services.

### Quantitative information on remuneration

For purposes of compliance with Capital Requirements Directive 3 and pursuant to the requirements of the Remuneration Code, the Compliance Officer, in consultation with the Co-CEOs has identified those employees who are either senior management or those whose actions have a material impact on the risk profile of the Company. The aggregate breakdown of remuneration payable by the Company to those employees is as follows:

#### Remuneration – Senior Management

	2015	2014
	£	£
Wages and salaries	4,950,275	5,016,874
Social security costs	590,480	590,593
Pension costs	70,861	61,579
	<u>5,611,616</u>	<u>5,669,046</u>

#### Remuneration – Employees whose actions have a material impact on the risk profile of the Company

	2015	2014
	£	£
Wages and salaries	5,443,656	5,932,635
Social security costs	751,224	818,703
Pension costs	14,083	20,497
	<u>6,208,963</u>	<u>6,771,835</u>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GMO UK LIMITED**

We have audited the financial statements of GMO UK Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

**Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's member 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 member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



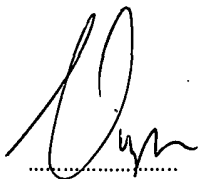
**GMO UK LIMITED – Company Number 04658801**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GMO UK LIMITED (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- the Company 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.



Greg Simpson (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD

18 ~~13~~ April 2016

**GMO UK LIMITED – Company Number 04658801**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2015**

	Notes	2015 £	2014 £
TURNOVER	3	24,281,615	19,049,188
Administrative expenses		(19,574,491)	(19,596,044)*
Other operating income	18	10,474,828	10,696,946
OPERATING PROFIT	4	15,181,952	10,150,090
Interest receivable and similar income	5	22,990	24,639**
Interest payable and similar income	6	43,137	(55,236)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,248,079	10,119,493
Taxation	8	(3,068,975)	(2,481,837)*
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		12,179,104	7,637,656
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		12,179,104	7,637,656

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

\*\* Restated due to exchange gain now included within administrative expenses. Refer to note 1 (n) for more detail.


All activities relate to continuing operations.

**CONSOLIDATED BALANCE SHEET**  
as at 31 December 2015

	Notes	2015 £	2014 £
<b>FIXED ASSETS</b>			
Tangible assets	10	558,886	655,799
<b>CURRENT ASSETS</b>			
Debtors	12	12,210,801	11,498,338
Cash at bank and in hand		11,861,882	11,801,957
		<u>24,072,683</u>	<u>23,300,295</u>
<b>CREDITORS</b>			
Amounts falling due within one year	13	(8,679,113)	(8,685,362)*
<b>NET CURRENT ASSETS</b>		<u>15,393,570</u>	<u>14,614,933</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>15,952,456</u>	<u>15,270,732</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	13	(43,234)	(43,352)*
<b>PROVISIONS FOR LIABILITIES</b>	14	(105,660)	(102,922)
<b>NET ASSETS</b>		<u>15,803,562</u>	<u>15,124,458</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		2,500,000	2,500,000
Profit and loss account		13,303,562	12,624,458*
<b>EQUITY SHAREHOLDER'S FUNDS</b>		<u>15,803,562</u>	<u>15,124,458</u>

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

Approved and authorised by the Board of Directors on 13 April 2016 and signed on their behalf by:

  
.....  
**Arron Day**  
Director

13 April 2016

**GMO UK LIMITED – Company Number 04658801**

**COMPANY BALANCE SHEET**  
**as at 31 December 2015**

	Notes	2015 £	2014 £
<b>FIXED ASSETS</b>			
Tangible assets	10	558,886	655,799
Investments	11	84,153	84,153
		<u>643,039</u>	<u>739,952</u>
<b>CURRENT ASSETS</b>			
Debtors	12	12,136,488	11,335,430
Cash at bank and in hand		11,497,831	11,547,136
		<u>23,634,319</u>	<u>22,882,566</u>
<b>CREDITORS</b>			
Amounts falling due within one year	13	(8,427,628)	(8,445,669)*
<b>NET CURRENT ASSETS</b>		<u>15,206,690</u>	<u>14,436,897</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>15,849,729</u>	<u>15,176,849</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	13	(43,234)	(43,352)*
<b>PROVISIONS FOR LIABILITIES</b>	14	(105,660)	(102,922)
<b>NET ASSETS</b>		<u>15,700,836</u>	<u>15,030,575</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		2,500,000	2,500,000
Profit and loss account		13,200,836	12,530,575*
<b>EQUITY SHAREHOLDER'S FUNDS</b>		<u>15,700,836</u>	<u>15,030,575</u>

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

Approved and authorised by the Board of Directors on 13 April 2016 and signed on their behalf by:



**Arron Day**  
**Director**

13 April 2016

**GMO UK LIMITED – Company Number 04658801**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2015**

	Share Capital	Profit and Loss Account	Total
	£	£	£
<b>As at 1 January 2014</b>	2,500,000	13,986,802*	16,486,802*
Profit for the year		7,637,656*	7,637,656*
Other comprehensive income		-	-
<b>Total comprehensive income</b>	<u>2,500,000</u>	<u>21,624,458</u>	<u>24,124,458</u>
Dividends		(9,000,000)	(9,000,000)
<b>As at 31 December 2014</b>	<u>2,500,000</u>	<u>12,624,458</u>	<u>15,124,458</u>
Profit for the year		12,179,104	12,179,104
Other comprehensive income		-	-
<b>Total comprehensive income</b>	<u>2,500,000</u>	<u>24,803,562</u>	<u>27,303,562</u>
Dividends		(11,500,000)	(11,500,000)
<b>As at 31 December 2015</b>	<u>2,500,000</u>	<u>13,303,562</u>	<u>15,803,562</u>

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

**Reserves**

*Profit and loss account*

The profit and loss account reserve represents cumulative profits and losses of the Group.

**GMO UK LIMITED – Company Number 04658801**

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2015**

	Share Capital	Profit and Loss Account	Total
	£	£	£
<b>As at 1 January 2014</b>	2,500,000	13,901,791*	16,401,791*
Profit for the year		7,628,784*	7,628,784*
Other comprehensive income		-	-
<b>Total comprehensive income</b>	<u>2,500,000</u>	<u>21,530,575</u>	<u>24,030,575</u>
Dividends		(9,000,000)	(9,000,000)
<b>As at 31 December 2014</b>	<u>2,500,000</u>	<u>12,530,575</u>	<u>15,030,575</u>
Profit for the year		12,170,261	12,170,261
Other comprehensive income		-	-
<b>Total comprehensive income</b>	<u>2,500,000</u>	<u>24,700,836</u>	<u>27,200,836</u>
Dividends		(11,500,000)	(11,500,000)
<b>As at 31 December 2015</b>	<u>2,500,000</u>	<u>13,200,836</u>	<u>15,700,836</u>

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

**Reserves**

*Profit and loss account*

The profit and loss account reserve represents cumulative profits and losses of the Company.

**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 December 2015

	2015 £	2014 £
<b>Operating activities</b>		
<b>Operating profit</b>	15,181,952	10,150,090*
Adjustments for:		
Depreciation of tangible assets	139,718	126,154
Loss on disposal of tangible assets	292	8,739
Movements in provisions	-	16,181
Foreign exchange gains	(118,707)	(9,857)
<b>Operating cash flow before movement in working capital</b>	<u>15,203,256</u>	<u>10,291,307</u>
Increase in trade and other debtors	(712,463)	(1,530,558)
(Decrease)/increase in trade and other creditors	(635,059)	1,191,900*
Interest received	22,990	24,639
Income tax paid	(2,390,283)	(3,249,081)
<b>Net cash flows from operating activities</b>	<u>11,488,441</u>	<u>6,728,207</u>
<b>Investing activities</b>		
Proceeds from disposal of tangible assets	-	5,362
Purchase of tangible assets	(43,097)	(87,220)
<b>Net cash flows used in investing activities</b>	<u>(43,097)</u>	<u>(81,858)</u>
<b>Financing activities</b>		
Dividends paid	(11,500,000)	(9,000,000)
Interest paid	(4,125)	(2,734)
<b>Net cash flows used in financing activities</b>	<u>(11,504,125)</u>	<u>(9,002,734)</u>
<b>Net decrease in cash and cash equivalents</b>	(58,781)	(2,356,385)
Cash and cash equivalents at the beginning of the year	11,801,957	14,148,740
Effect of exchange rates on cash and cash equivalents	118,707	9,602
<b>Cash and cash equivalents at end of the year</b>	<u>11,861,882</u>	<u>11,801,957</u>

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2015**

**1. ACCOUNTING POLICIES**

**(a) General information**

GMO UK Limited ('the Company') is a limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is 1 London Bridge, London, SE1 9BG. The Company, and its subsidiary undertakings, together referred to as the "Group" carry out investment management services. The Company operates a branch which is based in the Netherlands.

These financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the Company operates.

**(b) Basis of preparation**

These financial statements have been prepared in accordance with FRS 102, The Financial Reporting Standard Applicable in the UK and Republic of Ireland and applicable legislation as set out in the Companies Act 2006 and Schedule 1 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention.

The financial statements for the year ended 31 December 2015 are the Group's and Company's first financial statements that comply with FRS 102. Note 19 describes the impact on reported profit and loss and equity arising from the transition to FRS 102.

In preparing the Company financial statements, the Company has taken advantage of the disclosure exemptions, as permitted by FRS 102 paragraph 1.12. The Company has therefore complied with the applicable conditions, including providing notification of the use of exemptions to the Company's shareholders who have not objected to the use of such disclosure exemptions.

In preparing the Company financial statements, the Company has taken advantage of the following exemptions:

- (i) from preparing a Cash Flow Statement in accordance with Section 7 *Cash Flow Statements*;
- (ii) from providing the financial instrument disclosures, required under paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as this information is provided in the Group consolidated financial statement; and
- (iii) from disclosing the Company's key management personnel compensation, as required by paragraph 7 of Section 33 *Related Party Disclosures*.

**(c) Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking made up to 31 December 2015.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

**(d) Investments in subsidiary undertakings**

Investments in subsidiary undertakings are recognised at cost less any provision for impairment.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**(e) Turnover**

Turnover represents fees receivable from discretionary and advisory segregated client accounts, net fees receivable from pooled funds managed or sponsored by GMO LLC and its affiliates, including fees received through net revenue sharing income from GMO LLC and GMO Europe. Turnover from the provision of asset management services is recognised when the services have been provided and the fees can be ascertained and charged.

The Group has entitlement to earn performance fees from a number of clients where the actual performance of the clients' assets managed by the Company exceeds certain benchmarks by an agreed level of performance in a set time period. Performance fees are recognised when the quantum of the fee can be ascertained and charged, which is normally at the end of the performance period when this occurs on or before the reporting date.

**(f) Tangible fixed assets**

Tangible fixed assets are initially recognised at cost, which is the purchase price plus any directly attributable costs, and subsequently measured at cost less accumulated depreciation and impairment losses.

Tangible fixed assets are depreciated over their expected useful lives on the straight line basis using the following rates per annum:

Leasehold improvements - Over the life of the lease  
Office equipment - 25%  
Furniture and fittings - 25%

**(g) Deferred taxation**

Tax expense for the period comprises current and deferred tax. Tax currently payable, relating to UK corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the reporting date. No provision is made for taxation on permanent differences. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognised only to the extent it is deemed probable that the assets will be recovered.

**(h) Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Income and expenses expressed in foreign currencies are translated into sterling at the rates of exchange prevailing on the date of the transaction. Differences arising on the translation of such items are dealt with in profit or loss.

**(i) Operating leases**

Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other lease arrangements are classified as an operating lease.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**The Company as a lessee**

Payments made under operating lease arrangements are charged to profit or loss on a straight-line basis over the lease term. Benefits receivable as operating lease incentives are recognised within profit or loss on a straight-line basis over the lease term, unless the transitional exemption permitted by section 35 has been applied.

**(j) Financial Instruments**

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument. The Group holds basic financial instruments, which comprise cash and cash equivalents, trade and other debtors and trade and other creditors. The Group has chosen to apply the provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments*.

**Financial assets – classified as basic financial instruments**

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

**Trade and other debtors**

Trade and other debtors are recognised at the transaction price, including any transaction costs. Amounts that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

At the end of each reporting period, the Group assesses whether there is objective evidence that any debtor amount may be impaired. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debtors. The amount of any provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of any provision is recognised immediately in profit or loss.

**Financial liabilities – classified as basic financial instruments**

**Trade and other creditors**

Trade and other creditors are initially measured at the transaction price, including any transaction costs, and where appropriate are subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the undiscounted amount of the cash expected to be paid.

**(k) Provisions**

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**(l) Employee benefits**

**Short term benefits**

The Group provides short term benefits, including holiday pay and other similar non-monetary benefits to its employees. Short term benefits are recognised as an expense in the period in which the service is received. An accrual is recognised for short term compensated absences where entitlement has accumulated, but has not been taken, at the reporting date.

The Group operates a defined contribution pension scheme. Obligations for contributions to the defined contribution pension scheme are charged to the profit or loss in the period to which the contributions relate.

**(m) Judgements and estimates**

In applying the Group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**

The critical judgements that the directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

**Assessing indicators of impairment**

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Recoverability of debtors**

The Group establishes a provision for any debtors that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the debtor, past experience of recoverability, and the credit profile of individual or groups of customers.

**Determining useful economic lives of property, plant and equipment**

The Group depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**(n) Reclassification in accounting policy**

There has been a reclassification in accounting policy in relation to the presentation of exchange gains and losses. This had previously been classified within interest receivable in the Statement of Comprehensive Income. However, in 2015, management deemed it more appropriate to categorise this within administrative expenses as this relates to the ordinary operational expenses of the Group. In 2015, exchange gains and losses amounted to £118,707 (2014: £9,602). There is no impact on the results of the Group in the current or prior year.

**2. COMPANY RESULT**

The Company is exempt under Section 408 of Companies Act 2006 from disclosing its own Statement of Comprehensive Income. The profit of the Company for the year was £12,170,261 (2014: £7,628,784\*).

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

**3. REVENUE**

	2015	2014
	£	£
<b>Turnover by geographical analysis</b>		
United Kingdom	12,741,249	8,273,628
Europe & Rest of World	11,540,366	10,775,560
	<u>24,281,615</u>	<u>19,049,188</u>

The geographical segmentation of turnover disclosed above is determined by the domicile of the clients.

<b>Turnover by category</b>		
Asset based fees	23,570,318	16,062,752
Performance based fees	711,297	2,986,436
	<u>24,281,615</u>	<u>19,049,188</u>

<b>Other operating income by category</b>		
Management re-charges	14,979,902	14,342,315
Royalty expenses	(465,075)	(370,556)
Parent company cost allocation	(3,070,819)	(2,817,318)
Investment advisory fee in respect of GMO IMC	(969,180)	(457,495)
	<u>10,474,828</u>	<u>10,696,946</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**4. OPERATING PROFIT**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging / (crediting):		
Staff costs (see note 7)	16,974,414	17,133,123*
Depreciation of tangible fixed assets	139,718	126,154
Loss on disposal of fixed assets	292	8,739
Foreign exchange gains	(118,707)	(9,602)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	40,000	38,000
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries pursuant to legislation	4,654	5,173
- Advisory services	1,500	-
Operating lease charges:		
- Land and buildings	430,809	385,858

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

**5. INTEREST RECEIVABLE & SIMILAR INCOME**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Interest arising on cash at bank	22,990	24,639
	<u>22,990</u>	<u>24,639</u>

**6. INTEREST PAYABLE & SIMILAR CHARGES**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Interest expense	(45,875)**	52,734
Finance costs arising on provisions	2,737	2,502
	<u>(43,137)</u>	<u>55,236</u>

\*\* Credit balance is due to the reversal of an interest accrual on tax payable to HMRC.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**7. KEY MANAGEMENT PERSONNEL AND EMPLOYEE INFORMATION**

<b>Remuneration - All Group employees</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and salaries	14,861,776	15,014,568*
Social security costs	1,825,165	1,862,884
Pension costs	287,473	255,671
	<u>16,974,414</u>	<u>17,133,123</u>

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

The average monthly number of persons (including executive Directors) employed by the Group and included in its payroll during the period was:

	<b>2015</b>	<b>2014</b>
By activity:		
Management and administration	23	23
Client service professionals	11	8
Investment professionals	8	8
	<u>42</u>	<u>39</u>

**Remuneration – Directors and key management personnel**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Aggregate remuneration	2,678,551	2,925,882
Pension contributions	15,022	9,559
Total remuneration of Directors and key management personnel	<u>2,693,573</u>	<u>2,935,441</u>
Total Director emoluments	2,223,101	2,531,593
Total emoluments of the highest paid Director	2,223,101	2,531,593

During the year, no Director received, nor had benefits accrued in defined contribution schemes (2014: Nil).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**8. TAXATION ON THE PROFIT FOR THE YEAR**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>(a) Total tax expense recognised in the statement of comprehensive income, other comprehensive income and equity:</b>		
Current tax:		
UK corporation tax	3,091,174	2,183,368
Foreign tax	30,963	27,556
Double taxation relief	(29,779)	(25,830)
Adjustment in respect of prior periods	(27,818)	296,236*
	<hr/>	<hr/>
Current tax charge for the year	3,064,540	2,481,330
Deferred tax:		
Origination and reversal of timing differences	7,129	507
Effect of tax rate change on opening balance	(2,694)	
	<hr/>	<hr/>
Total deferred tax	4,435	507
	<hr/>	<hr/>
Total tax	<u><u>3,068,975</u></u>	<u><u>2,481,837</u></u>

\* Comprises of £337,660 in relation to an adjustment to the software royalty rate offset against (£41,424) in respect of double taxation relief.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**8. TAXATION ON THE PROFIT FOR THE YEAR (continued)**

**(b) Reconciliation of tax charge**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 20.25% (2014: higher than the standard rate of 21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	15,248,081	10,119,493
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 20.25% (2014:21.5%)	3,086,436	2,175,691
<i>Effects of:</i>		
Fixed asset differences	10,667	7,491
Expenses not deductible for tax purposes	3,467	3,725
Income not taxable for tax purposes	(216)	(214)
Adjustments in respect of previous periods	(27,818)	296,236
Foreign tax credits	(29,779)	(25,830)
Foreign tax	29,723	25,392
Current tax charged directly to the Statement of Comprehensive Income	7,910	-
Deferred tax credited directly to the Statement of Comprehensive Income	(7,910)	(649)
Adjust closing deferred tax to average rate	(3,916)	(5)
Adjust opening deferred tax to average rate	411	-
Total tax charge for the year	<u>3,068,975</u>	<u>2,481,837</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**8. TAXATION ON THE PROFIT FOR THE YEAR (continued)**

**(c) Deferred tax assets and liabilities**

	Assets		Liabilities		Net	
	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £
Accelerated capital allowances	-	-	31,373	34,848	31,373	34,848
Holiday accrual	-	(7,910)	-	-	-	(7,910)
Tax (assets) / liabilities	-	(7,910)	31,373	34,848	31,373	26,938

**9. DIVIDEND**

	2015 £	2014 £
Dividend paid on 2,500,000 ordinary shares - £4.60 per share (2014: £3.60 per share)	11,500,000	9,000,000

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**10. FIXED ASSETS – TANGIBLE ASSETS**

	Leasehold Improvements	Office Equipment	Furniture and Fittings	Total
	£	£	£	£
<b>COST</b>				
As at 1 January 2015	568,908	278,613	135,439	982,960
Additions	8,481	21,859	12,757	43,097
Disposals	-	(59,558)	(3,763)	(63,321)
As at 31 December 2015	577,389	240,915	144,433	962,737
<b>DEPRECIATION</b>				
As at 1 January 2015	85,854	170,134	71,173	327,161
Charge for the year	64,493	47,930	27,295	139,718
Disposals	-	(59,265)	(3,763)	(63,028)
As at 31 December 2015	150,347	158,799	94,705	403,850
<b>NET BOOK VALUE</b>				
As at 31 December 2015	427,042	82,116	49,728	558,886
As at 31 December 2014	483,054	108,479	64,266	655,799

**11. FIXED ASSET INVESTMENTS**

<b>Investments in subsidiary undertakings</b>	Company
At 1 January and 31 December 2015	£
	84,153

Additional information on the subsidiary held by GMO UK Limited:

Name of Company	Country of incorporation/registration and operation	Class of share held	Percentage of share held	Nature of business
GMO Investment Management Company (Ireland) Ltd	Ireland	€1 Ordinary	100%	Investment management

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**12. DEBTORS**

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Due within one year:				
Trade debtors	230,706	173,848	156,392	10,939
Other debtors	46,374	68,695	46,374	68,695
Amounts due from parent undertaking	8,166,488	8,265,091	8,166,488	8,265,091
Amounts due from fellow subsidiary or other group undertakings	1,394,395	2,126,811	1,394,395	2,126,811
Prepayments and accrued income	2,372,838	863,893	2,372,838	863,894
Total debtors	<u>12,210,801</u>	<u>11,498,338</u>	<u>12,136,488</u>	<u>11,335,430</u>

Amounts due from the parent undertaking and other group undertakings are unsecured, interest-free and repayable as soon as is practicable after the conclusion of each fiscal quarter.

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Trade creditors	134,033	312,029	131,944	302,200
Other creditors	427,220	374,171	426,838	373,633
Amounts due to parent undertaking	233,880	216,295	-	-
Taxation and social security	4,223,929	3,672,570	4,223,516	3,671,987
Corporation tax	1,702,410	1,073,718	1,702,314	1,073,871
Accruals and deferred income	1,957,641	3,036,579*	1,943,017	3,023,978*
Total creditors	<u>8,679,113</u>	<u>8,685,362</u>	<u>8,427,628</u>	<u>8,445,669</u>

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

Amounts due to the parent undertaking are unsecured, interest-free and repayable as soon as is practicable after the conclusion of each fiscal quarter.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deferred tax liability	31,373	26,938*	31,373	26,938*
Deferred income	11,861	16,414	11,861	16,414
<b>Total creditors</b>	<b>43,234</b>	<b>43,352</b>	<b>43,234</b>	<b>43,352</b>

\* Restated due to the application of FRS 102. Refer to note 19 for more detail.

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Group</b>	<b>Company</b>
	<b>2015</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
At 1 January 2015	102,922	102,922
Charge for the year	-	-
Unwind of discount	2,738	2,738
<b>At 31 December 2015</b>	<b>105,660</b>	<b>105,660</b>

The above obligation relates to the expected cost of £126,395 for restoring the office back to its original state at the end of the lease agreement in 2023. The cost is an estimate based on a professional quote and the timing of payment may vary if the lease is renewed.

**15. PENSION COMMITMENTS**

The Group operates a defined contribution pension scheme with assets held in a separately administered pension fund for each member. Contributions totalling £Nil (2014: £Nil) were payable to the fund at year end. Contributions charged to the profit or loss for the year was £287,473 (2014: £255,671).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**16. CAPITAL AND OTHER COMMITMENTS**

As at 31 December 2015, the Group had the following total minimum commitments under non-cancellable operating leases:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Land and buildings:		
Not later than one year	428,812	420,051
Later than one year and not later than five years; and	1,894,701	1,668,791
Later than five years	1,399,864	1,883,796

**17. ULTIMATE PARENT UNDERTAKING**

The immediate and ultimate parent undertaking and controlling party is GMO LLC, a Limited Liability Company organised under the laws of Massachusetts USA, which is the parent of both the Company and the Group for which group accounts are drawn up.

**18. RELATED PARTY TRANSACTIONS**

During the year, the Group received net revenue sharing income totalling £19,463,114 (2014: £11,550,934) from GMO LLC (the immediate and ultimate parent undertaking) and GMO Europe LLC (a fellow subsidiary undertaking), which is included as part of Turnover. The Group also received net other operating income totalling £10,474,828 (2014: £10,696,946) from GMO LLC and GMO Europe LLC as detailed below.

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
	<b>Group</b>	<b>Group</b>
Management re-charges	14,979,902	14,342,315
Royalty expenses	(465,075)	(370,556)
Parent company cost allocation	(3,070,819)	(2,817,318)
Investment advisory fee in respect of GMO IMC	(969,180)	(457,495)
	<hr/>	<hr/>
Net other operating income	10,474,828	10,696,946
	<hr/>	<hr/>

As of the balance sheet date, a net amount of £8,166,488 (2014: £8,048,796) was due from GMO LLC in respect of revenue sharing, other operating income and other intercompany re-charges and £1,359,559 (2014: £2,126,811) was due from GMO Europe LLC in respect of revenue sharing and other operating income.

During the year, GMO IMC received fee income from GMO Unit Trust, for serving as the investment manager. Fees receivable from the funds for the year amounted to £1,027,878 (2014: £860,747). At the balance sheet date, GMO IMC was owed £74,312 (2014: £162,908) by GMO Unit Trust.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2015**

**19. TRANSITION TO FRS 102**

This is the first year that the Group and Company have presented financial statements in accordance with FRS 102. For financial years up to and including the year ending 31 December 2014, the Group and Company prepared financial statements in accordance with UK GAAP.

This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first-time transition to FRS 102. The Group's and Company's opening equity position as at 1 January 2014 and the previously published financial statements for the year ended 31 December 2014 have been restated from UK GAAP. The Group's and Company's date of transition to FRS 102 is therefore 1 January 2014.

In carrying out the transition to FRS 102, the Group and Company have applied the following exemption as permitted by Section 35 *Transition to this FRS*:

**Operating lease incentives**

For operating lease arrangements that commenced prior to the date of transition, the Group and Company have chosen to continue to recognise the residual benefit associated with the lease incentives over the period to the first rent review date; this being on the same basis that applied at the date of transition.

**Group reconciliation of equity at 1 January 2014 and 31 December 2014**

	<b>1 January 2014</b>	<b>31 December 2014</b>
	<b>£</b>	<b>£</b>
Equity as reported under previously extant UK GAAP	16,515,401	15,155,612
<i>Effect of transition to FRS 102:</i>		
Holiday pay accrual	(35,860)	(39,064)
Deferred tax	7,261	7,910
<b>Equity as restated under FRS 102</b>	<b><u>16,486,802</u></b>	<b><u>15,124,458</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**19. TRANSITION TO FRS 102 (continued)**

**Group reconciliation of profit or loss for the year ended 31 December 2014**

	<b>31 December 2014</b>
	<b>£</b>
Profit as reported under previously extant UK GAAP	7,640,211
<i>Effect of transition to FRS 102:</i>	
Holiday pay accrual	(3,204)
Deferred tax	649
<b>Profit as restated under FRS 102</b>	<b><u>7,637,656</u></b>

**Company reconciliation of equity at 1 January 2014 and 31 December 2014**

	<b>1 January 2014</b>	<b>31 December 2014</b>
	<b>£</b>	<b>£</b>
Equity as reported under previously extant UK GAAP	16,430,390	15,061,729
<i>Effect of transition to FRS 102:</i>		
Holiday pay accrual	(35,860)	(39,064)
Deferred tax	7,261	7,910
<b>Equity as restated under FRS 102</b>	<b><u>16,401,791</u></b>	<b><u>15,030,575</u></b>

**Company reconciliation of profit or loss for the year ended 31 December 2014**

	<b>31 December 2014</b>
	<b>£</b>
Profit as reported under previously extant UK GAAP	7,631,339
<i>Effect of transition to FRS 102:</i>	
Holiday pay accrual	(3,204)
Deferred tax	649
<b>Profit as restated under FRS 102</b>	<b><u>7,628, 784</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2015**

**19. TRANSITION TO FRS 102 (continued)**

**(a) Employee benefits – Holiday pay accrual**

This transitional adjustment relates to the recognition of a holiday pay accrual for accumulated short-term compensated absences.

This adjustment has resulted in the recognition of an accrual of £35,860 at 1 January 2014 and £39,064 at 31 December 2014.

The adjustment has also resulted in a decrease to the opening retained earnings position of £35,860, and a decrease to the retained earnings position as at 31 December 2014 of £39,064 with a consequential profit or loss movement during the year ending 31 December 2014 of £3,204 recognised within the employee benefit expenses line.

The associated tax impact has led to an increase in deferred tax assets of £7,261 at 1 January 2014 and £7,910 at 31 December 2014. This has also resulted in an increase to the opening retained earnings position of £7,261 and an increase to the retained earnings position as at 31 December 2014 of £7,910 with a consequential profit or loss movement during the year ending 31 December 2014 of £649 recognised within the taxation line.

**20. Post-Balance Sheet Event**

Arron Day and Alex Bark were appointed as Directors of GMO UK Limited, effective 1 January 2016. There were no other post balance sheet events relevant to these financial statements.