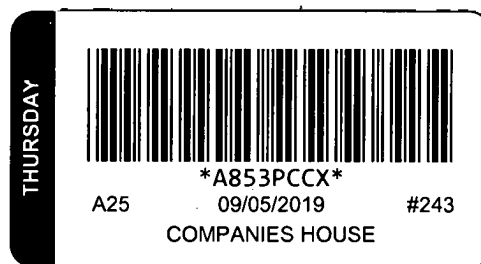


Reports & Financial Statements

For the year ended 31 December 2018

GMO UK Limited

Company Number: 04658801



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STRATEGIC REPORT

For the year ended 31 December 2018

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 2018.

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 material changes in the Group’s principal activity in the year under review. The Directors are implementing contingency measures to mitigate the impact on the Group of the UK’s departure from the European Union (“Brexit”), and such measures may include discontinuance of operations of the Company’s branch in the Netherlands, as well as the Company’s ability to distribute, advise and arrange within the European Union after Brexit. Other than the contingency matters related to Brexit, 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 fallen by 11% (2017: fallen by 3%), administrative expenses decreased by 14% (2017: increased by 17%) and other operating income decreased by 19% in the year (2017: increased by 2%). The Group’s profit after tax decreased by 12% (2017: decreased by 21%).

The consolidated balance sheet shows the Group’s net assets have decreased by 7% from £19.6m to £18.2m in the current period.

Key performance indicators of the Group are:

	2018	2017
Assets serviced by the Group as at 31 December	£11.71bn	£7.91bn
Changes in Assets serviced by the Group for the year ended 31 December	48%	(17%)
New Business won by the Group for the year ended 31 December	£4.82bn	£0.51bn

DIVIDEND

A dividend of £11,000,000 (2017: £7,400,000) was paid to GMO LLC during the year. On 23rd April 2019, the Directors approved the payment of a dividend to GMO LLC of £9,500,000 reducing the equity shareholder’s funds by a corresponding amount.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group’s primary objective is advising clients and arranging for their investment in products with the goal of delivering superior investment performance. In this context, the principal risks related to the Group’s business have been identified as: (a) poor investment performance by the GMO LLC Group leading to a loss of client revenue; (b) changes in the demands of clients, which may lead them to allocate assets away from the Group or its affiliates; (c) a material fall in financial markets, which would impact asset-based revenues; (d) the loss of clients related to unsatisfactory service; and (e) loss of EU-derived revenue upon the departure of the United Kingdom from the European Union.

Additionally, the Group has identified the following other potential risks: (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.

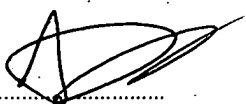
GMO UK LIMITED – Company Number 04658801

STRATEGIC REPORT (continued)

For the year ended 31 December 2018

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. These risks are within the Group's appetite.



Arron Day
Director

23 April 2019

Registered Office:
1 London Bridge
London
SE1 9BG

DIRECTORS' REPORT

For the year ended 31 December 2018

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2018.

DIRECTORS

The Directors, who held office during the year, and up to the date of signing, are:

A Bark
A Day
S Harris
J P Mittaz
G Pottle (appointed 28 February 2018)
J B Kittredge (resigned 28 February 2018)
U Mueller (resigned 29 June 2018)

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 in the actual or purported execution or discharge of duties, or the exercise or purported exercise of powers or otherwise in relation to, or in connection with such 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 2018

PILLAR 3

In accordance with the rules of the Financial Conduct Authority, the Company has published its Pillar 3 disclosure on the Company's website – <https://www.gmo.com>.

MATTERS OF STRATEGIC IMPORTANCE

Matters of strategic importance are disclosed in the Strategic Report in accordance with S414c(11) of the Companies Act 2006.

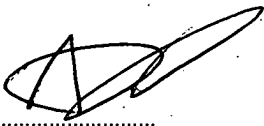
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 RSM UK Audit LLP as auditors to the Company will be considered at a subsequent Audit Committee meeting.



Arron Day
Director

23 April 2019

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 Financial Conduct Authority (the "FCA") Handbook as applicable to the Company, which is classified as a Level 3 firm.

Remuneration policy

The Company's remuneration policy is intended to ensure that the Company has a risk-focused remuneration policy which is consistent with, and promotes, effective risk management and does not expose the Company to excessive risk. The policy reflects the application of the FCA's Remuneration Code (the "Remuneration Code") and the FCA's principles of proportionality and reflects the Company's size and internal organisation and the nature, scope and complexity of its activities.

Link between remuneration and performance

The Company considers all appropriate factors in determining remuneration, including but not limited to: the Remuneration Code and the Company's remuneration policy, the Company's revenue and operating income for the current year, the Company's revenue and operating income forecasts for the next year, GMO LLC Group long-term and short-term performance, the scope of the employee's responsibilities, whether the employee achieved the objectives outlined at the beginning of the review period, the employee's performance during the year and over the long-term, (including how the employee demonstrated: that the employee acted in the best interest of the Company, including compliance with Company policies, the employee's commitment to the Company, and the employee's focus on the Company's directions and goals), the relevant business unit's performance during the year, client satisfaction levels and client relationship matters and any feedback from risk management and compliance functions.

Quantitative information on remuneration

For purposes of compliance with Capital Requirements Directive IV and pursuant to the requirements of the Remuneration Code, the Compliance Officer, in consultation with the CEO has identified those employees who are either senior management or 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

	2018	2017
	£	£
Wages and salaries	4,479,243	5,550,753
Social security costs	550,969	669,551
Pension costs	105,510	96,392
	<u>5,135,722</u>	<u>6,316,696</u>

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

	2018	2017
	£	£
Wages and salaries	5,724,013	5,813,236
Social security costs	788,113	801,606
Pension costs	54,001	18,621
	<u>6,566,127</u>	<u>6,633,463</u>

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

We have audited the financial statements of GMO UK Limited and its subsidiary for the year ended 31 December 2018 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.



David Fenton (Senior Statutory Auditor)

for and on behalf of RSM UK Audit LLP
Chartered Accountants and Statutory Auditor
25 Farringdon Street
London, EC4A 4AB

24 April 2019

GMO UK LIMITED – Company Number 04658801

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 £	2017 £
TURNOVER	2	21,887,349	24,552,768
Administrative expenses		(18,359,149)	(21,409,571)
Other operating income	2	8,399,545	10,397,714
OPERATING PROFIT	3	11,927,745	13,540,911
Interest receivable and similar income	4	31,824	31,306
Interest payable and similar expense	5	(5,903)	(2,737)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,953,666	13,569,480
Taxation	7	(2,382,465)	(2,638,486)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		9,571,201	10,930,994
Other comprehensive income			
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		9,571,201	10,930,994

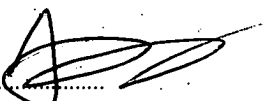
Notes on pages 14 to 27 form part of these financial statements.
All activities relate to continuing operations.

CONSOLIDATED BALANCE SHEET
as at 31 December 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	9	281,598	346,917
CURRENT ASSETS			
Debtors	11	16,545,991	25,499,236
Cash at bank and in hand		11,397,884	6,397,296
		<u>27,943,875</u>	<u>31,896,532</u>
CREDITORS			
Amounts falling due within one year	12	(9,929,301)	(12,521,238)
NET CURRENT ASSETS		<u>18,014,574</u>	<u>19,375,294</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,296,172</u>	<u>19,722,211</u>
CREDITORS: Amounts falling due after more than one year	12	(21,911)	(21,892)
PROVISIONS FOR LIABILITIES	13	(113,875)	(111,134)
NET ASSETS		<u>18,160,386</u>	<u>19,589,185</u>
CAPITAL AND RESERVES			
Share capital		2,500,000	2,500,000
Profit and loss account		15,660,386	17,089,185
EQUITY SHAREHOLDER'S FUNDS		<u>18,160,386</u>	<u>19,589,185</u>

Notes on pages 14 to 27 form part of these financial statements.

Approved and authorised by the Board of Directors on 23 April 2019 and signed on their behalf by:


.....
Arron Day
Director

23 April 2019

COMPANY BALANCE SHEET
as at 31 December 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	9	281,598	346,917
Investments	10	84,153	84,153
		<u>365,751</u>	<u>431,070</u>
CURRENT ASSETS			
Debtors	11	16,165,923	25,271,847
Cash at bank and in hand		10,982,363	6,122,450
		<u>27,148,286</u>	<u>31,394,297</u>
CREDITORS			
Amounts falling due within one year	12	(9,371,552)	(12,248,085)
		<u>17,776,734</u>	<u>19,146,212</u>
NET CURRENT ASSETS			
		<u>18,142,485</u>	<u>19,577,282</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>(21,911)</u>	<u>(21,892)</u>
CREDITORS: Amounts falling due after more than one year	12		
		<u>(113,875)</u>	<u>(111,134)</u>
PROVISIONS FOR LIABILITIES	13		
		<u>18,006,699</u>	<u>19,444,256</u>
NET ASSETS			
		<u>18,006,699</u>	<u>19,444,256</u>
CAPITAL AND RESERVES			
Share capital		2,500,000	2,500,000
Profit and loss account		15,506,699	16,944,256
		<u>18,006,699</u>	<u>19,444,256</u>
EQUITY SHAREHOLDER'S FUNDS			
		<u>18,006,699</u>	<u>19,444,256</u>

Notes on pages 14 to 27 form part of these financial statements.

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 £9,562,443 (2017: £10,921,715).

Approved and authorised by the Board of Directors on 23 April 2019 and signed on their behalf by:


.....
Arron Day
Director
23 April 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital	Profit and loss account	Total
	£	£	£
As at 1 January 2017	2,500,000	13,558,191	16,058,191
Profit for the year	-	10,930,994	10,930,994
Total comprehensive income	2,500,000	24,489,185	26,989,185
Dividends (note 8)	-	(7,400,000)	(7,400,000)
As at 31 December 2017	2,500,000	17,089,185	19,589,185
Profit for the year	-	9,571,201	9,571,201
Total comprehensive income	2,500,000	26,660,386	29,160,386
Dividends (note 8)	-	(11,000,000)	(11,000,000)
As at 31 December 2018	2,500,000	15,660,386	18,160,386

Reserves

Profit and loss account

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

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital	Profit and loss account	Total
	£	£	£
As at 1 January 2017	2,500,000	13,422,541	15,922,541
Profit for the year	-	10,921,715	10,921,715
Total comprehensive income	2,500,000	24,344,256	26,844,256
Dividends (note 8)	-	(7,400,000)	(7,400,000)
As at 31 December 2017	2,500,000	16,944,256	19,444,256
Profit for the year	-	9,562,443	9,562,443
Total comprehensive income	2,500,000	26,506,699	29,006,699
Dividends (note 8)	-	(11,000,000)	(11,000,000)
As at 31 December 2018	2,500,000	15,506,699	18,006,699

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 2018

	2018 £	2017 £
Operating activities		
Operating profit	11,927,745	13,540,911
Adjustments for:		
Depreciation of tangible assets	78,130	112,236
Foreign exchange (gain)/loss	(160,652)	207,288
Operating cash flow before movement in working capital	11,845,223	13,860,435
Decrease/(increase) in trade and other debtors	8,953,245	(8,304,636)
(Decrease)/Increase in trade and other creditors	(2,086,052)	1,989,760
Interest received	31,824	31,306
Income tax paid	(2,888,328)	(3,083,004)
Net cash flows from operating activities	15,855,912	4,493,861
Investing activities		
Purchase of tangible assets	(12,813)	(8,485)
Net cash flows used in investing activities	(12,813)	(8,485)
Financing activities		
Dividends paid	(11,000,000)	(7,400,000)
Interest paid	(3,163)	-
Net cash flows used in financing activities	(11,003,163)	(7,400,000)
Net decrease in cash and cash equivalents	4,839,936	(2,914,624)
Cash and cash equivalents at the beginning of the year	6,397,296	9,519,653
Effect of exchange rates on cash and cash equivalents	160,652	(207,733)
Cash and cash equivalents at end of the year	11,397,884	6,397,296

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. ACCOUNTING POLICIES

(a) General information

GMO UK Limited ("the Company") is a limited company incorporated in the United Kingdom ("UK"). The address of its registered office and principal place of business is 1 London Bridge, London, SE1 9BG. The Company, and its subsidiary undertaking, 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, rounded to the nearest Pound, 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.

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 shareholder who has 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 2018.

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 2018

(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 receivable through net revenue sharing income from GMO LLC and GMO Europe LLC. 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 Group and/or its affiliates 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) Taxation and 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 Pound Sterling at the rates of exchange prevailing 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 the profit and loss account.

(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. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

(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 2018

(l) Employee benefits

Short term benefits

The Company 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 Company 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 2018

2. TURNOVER

	2018 £	2017 £
Turnover by geographical analysis		
United Kingdom	10,058,702	9,223,590
Europe & Rest of World	11,828,647	15,329,178
	<u>21,887,349</u>	<u>24,552,768</u>

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

Turnover by category

Asset based fees	21,287,724	18,859,971
Performance based fees	599,625	5,692,797
	<u>21,887,349</u>	<u>24,552,768</u>

Other operating income by category

Management recharges	13,887,159	15,139,596
Royalty expenses	-	(484,866)
Parent company cost allocation	(3,878,214)	(4,011,816)
Investment advisory fee in respect of GMO IMC	(1,609,400)	(245,200)
	<u>8,399,545</u>	<u>10,397,714</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

3. OPERATING PROFIT

	2018 £	2017 £
Operating profit is stated after charging / (crediting):		
Staff costs (note 6)	15,385,549	18,324,871
Depreciation of tangible fixed assets (note 9)	78,130	112,237
Loss on disposal of fixed assets	-	190
Foreign exchange (gain)/loss	(160,604)	207,733
Fees payable to the Company's auditor for the audit of the Group's annual accounts	43,800	42,000
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiary pursuant to legislation	7,089	7,102
- Advisory services	-	-
Operating lease charges:		
- Land and buildings	638,185	435,396

4. INTEREST RECEIVABLE & SIMILAR INCOME

	2018 £	2017 £
Interest arising on cash at bank	31,824	31,306
	<u>31,824</u>	<u>31,306</u>

5. INTEREST PAYABLE & SIMILAR CHARGES

	2018 £	2017 £
Interest on taxation	3,162	-
Finance costs arising on provisions	2,741	2,737
	<u>5,903</u>	<u>2,737</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

6. KEY MANAGEMENT PERSONNEL AND EMPLOYEE INFORMATION

Remuneration - All Group and Company employees	2018	2017
	£	£
Wages and salaries	13,293,991	15,954,297
Social security costs	1,723,543	2,009,313
Pension costs	368,015	361,261
	<u>15,385,549</u>	<u>18,324,871</u>

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

	2018	2017
By activity:		
Management and administration	19	20
Client service professionals	9	9
Investment professionals	8	8
	<u>36</u>	<u>37</u>

Remuneration – Directors and key management personnel

	2018	2017
	£	£
Aggregate remuneration	2,956,730	4,377,566
Pension contributions	34,288	41,587
	<u>2,991,018</u>	<u>4,419,153</u>
Total remuneration of Directors and key management personnel		
	<u>2,991,018</u>	<u>4,419,153</u>
Total Director emoluments (including pension contributions)	2,991,018	4,419,153
Total emoluments of the highest paid Director	1,262,110	2,127,603
Total social security costs of Directors and key management personnel	406,533	601,993

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

7. TAXATION ON THE PROFIT FOR THE YEAR

	2018	2017
	£	£
(a) Total tax expense recognised in the statement of comprehensive income, other comprehensive income and equity:		
Current tax:		
UK corporation tax	2,333,045	2,630,967
Foreign tax	29,184	33,356
Double taxation relief	(27,936)	(31,993)
Adjustment in respect of prior periods	45,431	7,739
	<hr/>	<hr/>
Current tax charge for the year	2,379,724	2,640,069
Deferred tax:		
Origination and reversal of timing differences	2,741	(1,583)
	<hr/>	<hr/>
Total deferred tax	2,741	(1,583)
	<hr/>	<hr/>
Total tax	<u>2,382,465</u>	<u>2,638,486</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

7. TAXATION ON THE PROFIT FOR THE YEAR (continued)**(b) Reconciliation of tax charge**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19% (2017: higher than the standard rate of 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	11,953,666	13,569,480
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2017: 19.246%)	2,271,197	2,611,582
<i>Effects of:</i>		
Fixed asset differences	8,886	10,294
Expenses not deductible for tax purposes	58,044	9,440
Income not taxable for tax purposes	(115)	(192)
Adjustments in respect of previous periods	45,431	7,840
Foreign tax	(654)	(719)
Other movements	-	32
Adjust closing deferred tax to average rate	(2,575)	(2,531)
Adjust opening deferred tax to average rate	2,251	2,740
Total tax charge for the year	<u>2,382,465</u>	<u>2,638,486</u>

(c) Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
Accelerated capital allowances	-	-	21,911	19,149	21,911	19,149
Tax (assets) / liabilities	<u>-</u>	<u>-</u>	<u>21,911</u>	<u>19,149</u>	<u>21,911</u>	<u>19,149</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

8. DIVIDEND

	2018 £	2017 £
Dividend paid on 2,500,000 ordinary shares - £4.40 per share (2017: £2.96 per share)	11,000,000	7,400,000

9. FIXED ASSETS – TANGIBLE ASSETS

Group and Company

	Leasehold Improvements £	Office Equipment £	Furniture and Fittings £	Total £
COST				
As at 1 January 2018	601,585	241,834	144,870	988,289
Foreign exchange difference	406	261	50	717
Additions	-	8,019	4,794	12,813
As at 31 December 2018	601,991	250,114	149,714	1,001,819
DEPRECIATION				
As at 1 January 2018	286,228	218,550	136,594	641,372
Foreign exchange difference	406	260	53	719
Charge for the year	57,144	14,434	6,552	78,130
As at 31 December 2018	343,778	233,244	143,199	720,221
NET BOOK VALUE				
As at 31 December 2017	315,357	23,284	8,276	346,917
As at 31 December 2018	258,213	16,870	6,515	281,598

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

10. FIXED ASSET INVESTMENTS

Investments in subsidiary undertakings	Company
At 1 January and 31 December 2018	£
	84,153

Additional information regarding 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) Limited	Ireland	€1 Ordinary	100%	Investment management

11. DEBTORS

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Due within one year:				
Other debtors	118,530	267,041	118,530	43,458
Amounts due from parent undertaking	12,896,980	17,084,263	12,896,980	17,084,263
Amounts due from fellow subsidiary or other group undertakings	1,308,495	6,159,439	1,308,495	6,159,439
Prepayments and accrued income	2,221,986	1,988,493	1,841,918	1,984,687
Total debtors	16,545,991	25,499,236	16,165,923	25,271,847

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	29,888	76,870	25,487	70,270
Other creditors	103	112,454	103	91,728
Amounts due to parent undertaking	527,800	245,200	-	-
Taxation and social security	2,757,997	2,810,766	2,757,997	2,810,383
Corporation tax	1,051,157	1,557,023	1,051,252	1,556,779
Accruals and deferred income	5,562,356	7,718,925	5,536,713	7,718,925
Total creditors	9,929,301	12,521,238	9,371,552	12,248,085

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

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Deferred tax liability	21,911	19,149	21,911	19,149
Deferred income	-	2,743	-	2,743
Total creditors	21,911	21,892	21,911	21,892

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2018 £	Company 2018 £
At 1 January 2018	111,134	111,134
Charge for the year	-	-
Unwind of discount	2,741	2,741
	<u>113,875</u>	<u>113,875</u>
At 31 December 2018	<u>113,875</u>	<u>113,875</u>

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.

14. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme with assets held in a separately administered pension fund for each member. Contributions totalling £Nil (2017: £Nil) were payable to the fund at year end. Contributions charged to the profit or loss for the year was £368,015 (2017: £361,261).

15. CAPITAL AND OTHER COMMITMENTS

As at 31 December 2018, the Group had the following total minimum commitments under non-cancellable operating leases:

	2018 £	2017 £
Land and buildings:		
Not later than one year	596,249	500,930
Later than one year and not later than five years; and	1,990,029	2,209,670
Later than five years	-	351,951

16. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

17. RELATED PARTY TRANSACTIONS

During the year, GMO IMC received fee income from GMO Investments ICAV (the “ICAV”) and GMO Unit Trust, for serving as the investment manager. Fees receivable from the ICAV and GMO Unit Trust for the year amounted to £1,724,755 (2017: £309,451 from the ICAV and GMO Unit Trust). At the balance sheet date, GMO IMC was due £380,067 from the ICAV (2017: £223,582 from the ICAV and GMO Unit Trust).

18. POST BALANCE SHEET EVENTS

There were no post balance sheet events relevant to these financial statements.