



REPORTS & FINANCIAL STATEMENTS

For the year ending
31 December 2022



GMO U.K. Limited
Company Number: 04658801

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STRATEGIC REPORT

For the year ended 31 December 2022

The Directors present their strategic report of GMO U.K. Limited (the "Company") for the year ended 31 December 2022.

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's principal activity is acting as an investment firm. There have not been any material changes in the Company's principal activity in the year under review.

GMO Investment Management Company (Ireland) Limited ("GMO IMC"), a subsidiary of the Company, ceased providing management services to collective schemes authorised by the Central Bank of Ireland as of 31 December 2021. On 21 March 2022, the Central Bank of Ireland withdrew GMO IMC's authorisation as a management company pursuant to the UCITS Regulations. GMO IMC was placed into liquidation and all of its assets were transferred (including share capital held by the Company) to a third-party liquidator on 30 May 2022. GMO IMC was not a subsidiary as of 31 December 2022.

As shown in the Statement of Comprehensive Income, the Company's turnover decreased by less than 1% (2021: decreased by 7%), administrative expenses increased by 15% primarily due to an increase in headcount (2021: decreased by 1%) and other operating income increased by 36% in the year primarily due to an increase in management recharges (2021: decreased by 50%). The Company's profit after tax increased by 6% (2021: decreased by 44% following the gain on the sale of the assets of the Company's branch in 2020).

The balance sheet shows that the Company's net assets increased by 13% from £10.1m as at 31 December 2021 to £11.4m as at 31 December 2022 primarily due to an increase in amounts due from the parent undertaking as a result of higher performance fees.

Key performance indicators of the Company are:

	2022	2021
Assets serviced by the Company as at 31 December	£9.05bn	£10.22bn
Decrease in assets serviced by the Company for the year ended 31 December	(11%)	(9%)
New business won by the Company for the year ended 31 December	£0.03bn	£0.05bn

The Directors are not aware, at the date of this report, of any planned material changes in the Company's activities in the next year.

DIVIDEND

Dividends of £7,500,000 (2021: £12,000,000) were distributed to GMO LLC during the year (see note 8). On 19 April 2023, the Directors approved the payment of a dividend to GMO LLC of £4,000,000 reducing the shareholder's funds by the corresponding amount.

Dividends of £147,234 (2021: £Nil) were received from GMO IMC during the year (see note 4).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company distributes a range of investment products managed by GMO LLC and other GMO group entities (collectively the "GMO Group") to investors. The Company's primary objective is to manage the relationship with existing and prospective investors in relation to those investment products. In this context, the principal risks related to the Company's business have been identified as: (a) poor investment performance by the GMO 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 Company 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.

STRATEGIC REPORT (continued)
For the year ended 31 December 2022

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Additionally, the Company 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 (including cyber security risk); (e) remuneration risk; (f) legal and compliance (including regulatory) risk; (g) conduct risk; and (h) business continuity risk in the event of a disaster.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

SECTION 172(1) STATEMENT

The Directors acknowledge that they must act in a way they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members, while also considering the broad range of stakeholders who interact with and are impacted by our business. Throughout the year, while discharging their duties, section 172(1) requires directors to have regard, amongst other matters, to:

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

The Directors consider the following to be the Company's key stakeholders:

Shareholders

The Company is a wholly-owned subsidiary of GMO LLC, a private partnership whose sole business is investment management. The Company benefits from the infrastructure and policies of the global GMO business and aligns to an overall willingness to act and communicate our investment insights with conviction for the benefit of our clients, which differentiates us from competitors who may temper advice to limit career risk and firm conflicts.

Employees

The Company regularly engages with employees through various initiatives. Notably, Company employees, together with all GMO LLC employees, participate in regular "Town Hall" meetings, where information about the GMO Group strategic direction, recent financial results and other information is broadly disseminated. Such meetings include active Q&A sessions to encourage employee engagement and gather feedback. The Company is focused on employee wellbeing and conducts periodic surveys focused on culture and engagement. In addition, the Company invests in its people, across all career stages, with the same long-term view that is brought to investing on behalf of our clients. The Company offers learning and development opportunities for all employees and seeks to foster an environment that encourages and supports continuous growth. The Company offers competitive compensation and benefits and strives to provide a flexible working environment in which all employees are able to excel.

Customers

The Company is committed to upholding the Financial Conduct Authority's Treating Customers Fairly ("TCF") objectives. The Company aims to treat clients fairly and deliver high quality services which meet their expectations through their relationship with the GMO Group.

STRATEGIC REPORT (continued)
For the year ended 31 December 2022

Customers (continued)

Both the Company and the GMO Group value client relationships and collaborate with clients over the long term to provide the investment results, research and candid advice clients need to meet their goals. We strive to offer clients good, honest advice under all circumstances, regardless of the potential impact to our bottom line. We believe that our patience – taking a longer-term view, even if it is out of line with market consensus – provides tremendous advantages for our investors.

Community and environment

Both the Company and the GMO Group recognise our own environmental responsibility, and we are acting as a company to reduce our carbon footprint. At the same time, we are working to positively impact social equity. GMO's 2022 Sustainability and Responsible Investing Report discusses the steps we are taking in these crucial areas. The report is available at www.gmo.com.



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Arron Day
Director

19 APRIL 2023

Registered Office:
1 London Bridge
London
SE1 9BG

DIRECTORS' REPORT

For the year ended 31 December 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

DIRECTORS

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

A Bark
A Day
C Haley (resigned 31 December 2022)
T Pari
G Pottle
P Zachos

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 of the profit or loss of the Company for the relevant 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 Company's transactions, (2) disclose with reasonable accuracy at any time the financial position of the Company and (3) ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 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 Company's Directors.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2022

MATTERS OF STRATEGIC IMPORTANCE

The Company has chosen, in accordance with S414c(11) of the Companies Act 2006, to disclose matters of strategic importance in the Strategic Report. The Company has done so in respect to:

- Review of the business and future development;
- Principal risks and uncertainties;
- Financial risk management objectives and policies; and
- Consideration of the Company's key stakeholders.

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 Company's auditors are unaware.

AUDITORS

The reappointment of RSM UK Audit LLP as auditors to the Company will be considered at a subsequent Board meeting.



Arron Day
Director

19 APRIL 2023

Registered Office:
1 London Bridge
London
SE1 9BG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GMO U.K. LIMITED

We have audited the financial statements of GMO U.K. Limited (the 'Company') for the year ended 31 December 2022 which comprise statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the financial statements, including 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 Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 U.K. LIMITED (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Company operates in and how the Company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud having obtained an understanding of the effectiveness of the control environment.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GMO U.K. LIMITED (continued)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are the rules and principles set by the Financial Conduct Authority (FCA) as regulator for the financial services industry in the UK. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations. We inspected compliance documentation, enquired over any risks or breaches in the year, reviewed certain regulatory returns and correspondence with the FCA as well as considering compliance with the conditions for authorisation, and other regulatory obligations.

The audit engagement team identified the risk of management override of controls, revenue recognition and group recharges as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business; testing the completeness, accuracy and existence of revenue, and challenging judgements; and by reviewing the calculation of recharges in conjunction with the US parent and assessing the assumptions and mark-ups used for reasonableness.

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.



James Simpson (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP

Chartered Accountants and Statutory Auditor

25 Farringdon Street

London, EC4A 4AB

19/04/23

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

		2022	2021
	Notes	£	£
TURNOVER	2	16,333,209	16,381,433
Administrative expenses		(14,809,608)	(12,865,726)
Other operating income	2	9,178,661	6,751,767
OPERATING PROFIT	3	10,702,262	10,267,474
Interest receivable and other income	4	168,773	277
Interest payable and similar expense	5	(1,638)	(1,117)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		10,869,397	10,266,634
Taxation	7	(2,033,405)	(1,936,831)
PROFIT FOR THE FINANCIAL YEAR		8,835,992	8,329,803
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		8,835,992	8,329,803

Notes on pages 13 to 24 form part of these financial statements.
All activities relate to continuing operations.

BALANCE SHEET
as at 31 December 2022

		2022	2021
	Notes	£	£
FIXED ASSETS			
Tangible assets	9	296,961	332,469
Investments	10	-	84,153
		<u>296,961</u>	<u>416,622</u>
CURRENT ASSETS			
Debtors	11	14,105,510	7,624,360
Cash at bank and in hand		4,087,878	8,438,922
		<u>18,193,388</u>	<u>16,063,282</u>
CREDITORS			
Amounts falling due within one year	12	(6,857,730)	(6,099,160)
NET CURRENT ASSETS		<u>11,335,658</u>	<u>9,964,122</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,632,619</u>	<u>10,380,744</u>
CREDITORS: Amounts falling due after more than one year	12	(98,049)	(183,283)
PROVISIONS FOR LIABILITIES	13	(119,158)	(118,041)
NET ASSETS		<u>11,415,412</u>	<u>10,079,420</u>
CAPITAL AND RESERVES			
Share capital		2,500,000	2,500,000
Profit and loss account		8,915,412	7,579,420
EQUITY SHAREHOLDER'S FUNDS		<u>11,415,412</u>	<u>10,079,420</u>

Notes on pages 13 to 24 form part of these financial statements.

Approved and authorised by the Board of Directors on 19 April 2023 and signed on their behalf by:



Arron Day
Director

19 APRIL 2023

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital	Profit and loss account reserve	Total
	£	£	£
As at 1 January 2021	2,500,000	11,249,617	13,749,617
Profit for the year	-	8,329,803	8,329,803
Total comprehensive income	2,500,000	19,579,420	22,079,420
Dividends (note 8)	-	(12,000,000)	(12,000,000)
As at 31 December 2021	2,500,000	7,579,420	10,079,420
Profit for the year	-	8,835,992	8,835,992
Total comprehensive income	2,500,000	16,415,412	18,915,412
Dividends (note 8)	-	(7,500,000)	(7,500,000)
As at 31 December 2022	2,500,000	8,915,412	11,415,412

Reserves

Profit and loss account reserve

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

CASH FLOW STATEMENT

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Operating activities			
Operating profit		10,702,262	10,267,472
Adjustments for:			
Depreciation of tangible assets	9	83,998	53,686
Loss on disposal of tangible assets		1,640	-
Foreign exchange (gain)/loss	3	(737,894)	12,144
Gain on disposal of subsidiary	3	(34,117)	-
Operating cash flow before movement in working capital		10,015,889	10,333,302
(Increase)/decrease in trade and other debtors		(5,835,253)	1,693,739
Increase/(decrease) in trade and other creditors		356,187	(446,666)
Interest received	4	21,539	277
Corporation tax paid		(1,716,255)	(2,116,951)
Net cash flows from operating activities		2,842,107	9,463,701
Investing activities			
Purchase of tangible assets	9	(48,491)	(36,849)
Loss on disposal of tangible assets		(1,640)	-
Proceeds on disposal of subsidiary		118,270	-
Net cash flows generated from/(used in) investing activities		68,139	(36,849)
Financing activities			
Dividends paid	8	(7,500,000)	(12,000,000)
Dividend Income	4	147,234	-
Interest paid	5	(521)	-
Net cash flows used in financing activities		(7,353,287)	(12,000,000)
Net decrease in cash and cash equivalents		(4,443,041)	(2,573,148)
Cash and cash equivalents at the beginning of the year		8,438,922	11,024,214
Effect of exchange rates on cash and cash equivalents		91,997	(12,144)
Cash and cash equivalents at end of the year		4,087,878	8,438,922

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

1. ACCOUNTING POLICIES

(a) General information

GMO U.K. 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 carries out investment services.

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 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. These financial statements have been prepared under the historical cost convention.

(c) Basis of consolidation

The prior year financial statements consolidated the financial statements of the Company and its subsidiary undertaking GMO IMC up to 31 December 2021.

GMO IMC was placed into liquidation on 30 May 2022 and all shares and assets were transferred to a third-party liquidator, at which point GMO IMC was no longer considered a subsidiary. Therefore the current year financial statements have been prepared on a single company basis up to 31 December 2022 including the comparative figures.

As of 19 April 2023 GMO IMC is still in liquidation and is expected to fully liquidate during 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

(d) 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. 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 Company has entitlement to earn performance fees from a number of clients where the actual performance of the clients' assets managed by the Company's 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.

(e) 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 a straight-line basis using the following rates per annum:

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

(f) 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.

(g) 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 statement of comprehensive income.

(h) 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 the statement of comprehensive income on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

(i) Financial Instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds basic financial instruments, which comprise cash and cash equivalents, trade and other debtors and trade and other creditors. The Company has chosen to apply the provisions of Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instruments* of FRS 102.

Financial assets – classified as basic financial instruments

Cash and cash equivalents

Cash and cash equivalents may 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 Company 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 Company 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 the statement of comprehensive income.

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.

(j) 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.

(k) 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 benefit 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 statement of comprehensive income in the period to which the contributions relate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

(l) Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the approval of these financial statements. The Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

(m) Judgements and estimates

In applying the Company'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 Company's accounting policies

The critical judgements that the Directors have made in the process of applying the Company'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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

2. TURNOVER

	2022	2021
	£	£
Turnover by category		
Asset based fees	15,523,994	16,380,592
Performance based fees	809,215	841
	<u>16,333,209</u>	<u>16,381,433</u>
Other operating income by category		
Management recharges	14,314,858	10,878,056
Parent company cost allocation	(5,136,197)	(4,126,289)
	<u>9,178,661</u>	<u>6,751,767</u>

3. OPERATING PROFIT

	2022	2021
	£	£
Operating profit is stated after charging / (crediting):		
Staff costs (note 6)	13,076,037	10,848,515
Depreciation of tangible fixed assets (note 9)	83,998	53,686
Foreign exchange (gain)/loss	(737,894)	12,144
Fees payable to the Company's auditor for the audit of the Company's annual accounts	56,615	44,770
Gain on disposal of subsidiary (note 10)	(34,117)	-
Operating lease charges:		
- Land and buildings	510,180	487,158

4. INTEREST RECEIVABLE AND OTHER INCOME

	2022	2021
	£	£
Interest arising on cash at bank	21,539	277
Dividend income	147,234	-
	<u>168,773</u>	<u>277</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

5. INTEREST PAYABLE AND SIMILAR EXPENSE

	2022	2021
	£	£
Interest on taxation	521	-
Finance costs arising on provisions	1,117	1,117
	<u>1,638</u>	<u>1,117</u>

6. EMPLOYEE AND DIRECTOR COSTS

Remuneration - All Company employees	2022	2021
	£	£
Wages and salaries	11,304,578	9,469,662
Social security costs	1,555,075	1,194,980
Pension costs	216,384	183,873
	<u>13,076,037</u>	<u>10,848,515</u>

The average monthly number of persons (including Directors) employed by the Company during the year was:

	2022	2021
By activity:		
Management and administration	20	16
Client service professionals	5	5
Investment professionals	8	7
	<u>33</u>	<u>28</u>

Remuneration – Directors and key management personnel	2022	2021
	£	£
Aggregate remuneration	423,407	430,934
Pension contributions	4,000	4,000
	<u>427,407</u>	<u>434,934</u>
<i>Total remuneration of Directors and key management personnel</i>		
	<u>427,407</u>	<u>434,934</u>
Total Director emoluments (including pension contributions)	427,407	434,934
Total emoluments of the highest paid Director	427,407	434,934
Total social security costs of Directors and key management personnel	58,207	59,469

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

7. TAXATION ON THE PROFIT FOR THE YEAR

	2022 £	2021 £
(a) Total tax expense recognised in the statement of comprehensive income, other comprehensive income and equity:		
Current tax:		
UK corporation tax	2,039,703	1,949,678
Adjustment in respect of prior periods	-	(170,555)
Current tax charge for the year	2,309,703	1,779,125
Deferred tax:		
Origination and reversal of timing differences	(4,786)	(2,289)
Adjustments in respect of prior periods (deferred tax)	-	145,778
Effect of tax rate change on opening balance	(1,512)	14,217
Total deferred tax	(6,298)	157,706
Total tax	2,033,405	1,936,831

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

7. 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 19% (2021: lower than the standard rate of 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	10,869,397	10,266,632
Profit on ordinary activities multiplied by the standard rate of corporation tax in UK of 19% (2021: 19%)	2,065,185	1,950,660
<i>Effects of:</i>		
Fixed asset differences	(3,026)	(2,769)
Expenses not deductible for tax purposes	731	48
Income not taxable for tax purposes	(27,974)	-
Adjustments in respect of previous periods	-	(170,553)
Adjustments in respect of previous periods (deferred tax)	-	145,778
Remeasurement of deferred tax for changes in tax rates	(1,511)	13,667
Total tax charge for the year	<u>2,033,405</u>	<u>1,936,831</u>

(c) Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2022 £	2021 £	2022 £	2021 £	2022 £	2021 £
Accelerated capital allowances	-	-	(50,648)	(56,946)	(50,648)	(56,946)
Tax assets/(liabilities)	<u>-</u>	<u>-</u>	<u>(50,648)</u>	<u>(56,946)</u>	<u>(50,648)</u>	<u>(56,946)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

8. DIVIDENDS

	2022 £	2021 £
Dividend paid on 2,500,000 ordinary shares	7,500,000	12,000,000
Total dividend	<u>7,500,000</u>	<u>12,000,000</u>

9. FIXED ASSETS – TANGIBLE ASSETS

	Leasehold Improvements £	Office Equipment £	Furniture and Fittings £	Total £
COST				
As at 1 January 2022	604,995	321,651	145,985	1,072,631
Additions	-	48,025	466	48,491
Disposals	-	(15,815)	-	(15,815)
As at 31 December 2022	<u>604,995</u>	<u>353,861</u>	<u>146,451</u>	<u>1,105,307</u>
DEPRECIATION				
As at 1 January 2022	397,904	199,331	142,928	740,163
Charge for the year	32,521	50,241	1,236	83,998
Disposals	-	(15,815)	-	(15,815)
As at 31 December 2022	<u>430,425</u>	<u>233,757</u>	<u>144,164</u>	<u>808,346</u>
NET BOOK VALUE				
As at 31 December 2021	<u>207,092</u>	<u>122,319</u>	<u>3,058</u>	<u>332,469</u>
As at 31 December 2022	<u>174,570</u>	<u>120,104</u>	<u>2,287</u>	<u>296,961</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

10. FIXED ASSETS - INVESTMENTS

As at 31 December 2021 the Company held an investment in GMO IMC, a subsidiary of the Company, of £84,153. GMO IMC, ceased providing management services to collective schemes authorised by the Central Bank of Ireland as of 31 December 2021. On 21 March 2022, the Central Bank of Ireland withdrew GMO IMC's authorisation as a management company pursuant to the UCITS Regulations. GMO IMC was placed into liquidation and all shares and assets were transferred to a third-party liquidator on 30 May 2022.

A gain on disposal of operations of £34,117 has been reflected in the administrative expenses of the statement of comprehensive income.

11. DEBTORS

	2022 £	2021 £
Due within one year:		
Other debtors	128,398	240,577
Amounts due from parent undertaking	13,048,937	7,040,357
Amounts due from fellow subsidiaries or other group undertakings	508,497	30,836
Prepayments	419,678	312,590
	<hr/>	<hr/>
Total debtors	14,105,510	7,624,360
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade creditors	66,378	44,971
Taxation and social security	3,066,896	1,687,334
Corporation tax	343,652	26,503
Accruals and deferred income	3,380,804	4,340,352
	<hr/>	<hr/>
Total creditors	6,857,730	6,099,160
	<hr/>	<hr/>

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

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022 £	2021 £
Deferred tax liability	50,648	56,946
Leasehold incentive liability	47,401	126,337
	<hr/>	<hr/>
Total creditors	98,049	183,283
	<hr/>	<hr/>

13. PROVISIONS FOR LIABILITIES

	2022 £
At 1 January 2022	118,041
Unwind of discount	1,117
	<hr/>
At 31 December 2022	119,158
	<hr/>

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 2029. The cost is an estimate based on a professional quote and the timing of payment may vary if the lease is renewed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

14. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme with assets held in a separately administered pension fund for each member. Contributions charged for the year were £216,384 (2021: £183,873). No contributions were payable to the fund at year end (2021: £Nil).

15. CAPITAL AND OTHER COMMITMENTS

As at 31 December 2022, the Company had the following total minimum commitments under non-cancellable operating leases:

	2022	2021
	£	£
Land and buildings:		
Not later than one year	640,174	595,233
Later than one year and not later than five years; and	2,709,744	2,590,034
Later than five years	1,001,291	1,626,540

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 the Commonwealth of Massachusetts, USA.

17. POST BALANCE SHEET EVENTS

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