

Report & Financial Statements

For the year ended 31 December 2006

GMO UK Limited

Company Number. 4658801



GMO UK LIMITED

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2006

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements of GMO UK Limited (the "Company") and its subsidiary GMO Woolley Limited (together the "Group") for the year ended 31 December 2006

REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of Grantham, Mayo, Van Otterloo & Co L L C , a Limited Liability Company organised under the laws of Massachusetts, USA

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

As shown on the consolidated profit and loss account, the Group's turnover has increased by 13%, whereas profit after tax has decreased by 15% primarily due to a 42% increase in staff costs The Company's profit for the financial year after taxation is £3,526,212 (2005 £3,435,916) Total dividends of £4,000,000 (2005 £2,500,000) were paid to Grantham, Mayo, Van Otterloo & Co L L C during the year The consolidated balance sheet shows that the Group's financial position at the year end is, both in terms of net assets and cash terms, improved since the prior year Consolidated net assets have risen by 4% since last year-end, however, cash and liquid funds are 55% higher There have been no significant events since the balance sheet date

The Group manages its operations, investment and non-investment (business) activities, by means of regular corporate reporting Key performance indicators of the GMO UK Group in 2006 were

Assets Under Management (Serviced by GMO UK Group) -

Segregated £5 98bn (2005 £4 14bn)

Pooled £0 94bn (2005 £0 83bn)

Total £6 92bn (2005 £4 97bn)

Change in Assets Under Management (Serviced by GMO UK Group) -

Segregated + 45% (2005 + 76%)

Pooled + 13% (2005 + 53%)

Total + 39% (2005 + 71%)

New business won by GMO UK Limited in the year (Managed by GMO group companies globally) -

Segregated + £1 08billion (2005 + £0 72billion)

Pooled + £0 49billion (2005 + £0 50billion)

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's primary objective is to deliver superior investment performance and advice to its clients In this context the main threats to its business are mediocre investment performance and the loss of clients related to this or related to unsatisfactory service The Company's success is to a large extent based on its employees The Directors strive to ensure that the Company's key employees are incentivised to stay with the Company and with regard to its clients, that strong relationships are developed In addition, the Company continues to diversify its clientele in terms of strategies which it offers

EMPLOYEES

Details of the number of employees and related costs can be found in Note 5 to the financial statements

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year are given below

P J Bostock

S Eston

A Orus

A Ryan (resigned July 2006)

R J G Grantham (appointed October 2006)

U Mueller (appointed April 2006)

P Woolley (resigned June 2006)

S Harris (appointed October 2006)

B Hilsabeck (appointed October 2006)

None of the Directors have any interest in the share capital of the Company. All Directors with the exception of Mr Orus and Mr Mueller are members of Grantham, Mayo, Van Otterloo & Co L L C

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to


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

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The Board of Directors has taken all the necessary steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

AUDITORS

A resolution to reappoint Mazars LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.



U Mueller

Director

19 April 2007

Registered Office

One Angel Court

Throgmorton Street

London

EC2R 7HJ

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

GMO UK LIMITED

We have audited the financial statements of GMO UK Limited for the year ended 31 December 2006, which comprise the Consolidated Profit and Loss account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member in accordance with section 235 of Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Company's and the Group's affairs as at 31 December 2006 and of the Group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's report is consistent with the financial statements.

Mazars LLP

MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors
24 Bevis Marks
London EC3A 7NR

19 April 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £	Year ended 31 December 2005 £
TURNOVER	3	23,124,635	20,403,930
Administrative expenses		(17,126,646)	(13,426,400)
OPERATING PROFIT	4	5,997,989	6,977,530
Interest receivable and similar income		339,664	239,769
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,337,653	7,217,299
Taxation	7	(1,908,871)	(2,034,967)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	4,428,782	5,182,332

The Group has no recognised gains or losses other than the result for the period

All activities relate to continuing operations

CONSOLIDATED BALANCE SHEET
as at 31 December 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	9	225,297	168,244
CURRENT ASSETS			
Debtors	11	6,285,171	8,671,264
Investments	12	9,729,076	5,916,339
Cash at bank and in hand		2,390,612	1,886,583
		<u>18,404,859</u>	<u>16,474,186</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(7,649,689)</u>	<u>(6,090,745)</u>
NET CURRENT ASSETS		<u>10,755,170</u>	<u>10,383,441</u>
NET ASSETS		<u><u>10,980,467</u></u>	<u><u>10,551,685</u></u>
CAPITAL AND RESERVES			
Share capital	14	2,500,000	2,500,000
Profit and loss account	15	8,120,467	7,691,685
Merger reserve	15	360,000	360,000
EQUITY SHAREHOLDER'S FUNDS	16	<u><u>10,980,467</u></u>	<u><u>10,551,685</u></u>

Approved by the Board of Directors on 19 April 2007 and signed on their behalf by



U Mueller
Director

COMPANY BALANCE SHEET
as at 31 December 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	9	225,297	137,464
Investments	10	-	-
		<u>225,297</u>	<u>137,464</u>
CURRENT ASSETS			
Debtors	11	5,358,344	6,558,134
Investments	12	7,146,594	2,481,038
Cash at bank and in hand		2,262,820	1,831,526
		<u>14,767,758</u>	<u>10,870,698</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(7,760,751)</u>	<u>(5,302,070)</u>
NET CURRENT ASSETS		<u>7,007,007</u>	<u>5,568,628</u>
NET ASSETS		<u><u>7,232,304</u></u>	<u><u>5,706,092</u></u>
CAPITAL AND RESERVES			
Share capital	14	2,500,000	2,500,000
Profit and loss account	15	4,732,304	3,206,092
EQUITY SHAREHOLDER'S FUNDS	16	<u><u>7,232,304</u></u>	<u><u>5,706,092</u></u>

Approved by the Board of Directors on 19 April 2007 and signed on their behalf by



U Mueller
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2006

	Notes	2006 £	2005 £
Net cash inflow from operating activities	17	10,766,216	5,266,572
Returns on investments and servicing of finance			
- Interest received		339,664	239,769
Taxation			
- Tax paid		(2,610,994)	(1,455,329)
Capital expenditure			
- Payments to acquire tangible fixed assets		(178,120)	(104,126)
Equity dividends paid		(4,000,000)	(2,500,000)
Net cash inflow before use of liquid resources and financing		4,316,766	1,446,886
Management of liquid resources			
- Subscription of liquid funds	12	(3,812,737)	(70,564)
Increase in cash in the year	18	504,029	1,376,322

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006

1 ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention on a going concern basis and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

(a) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary drawn up to 31 December each year.

The Company was incorporated on 6 February 2005 and became the holding Company of GMO Woolley Limited on 1 December 2005. The transfer of business was accounted for in accordance with the principles of merger accounting set out in Financial Reporting Standard 6 "Acquisitions and Mergers" (FRS 6) and Schedule 4A to the Companies Act 1985.

(b) Accounting convention

These financial statements have been prepared under the historical cost convention in accordance with applicable statements of Standard Accounting Practice and Financial Reporting Standards.

(c) Investments

Investments held by the Group and Company are carried at the lower of cost and net realisable value.

(d) Turnover

Turnover represents gross fees receivable from (discretionary and advisory) segregated client accounts (excluding any VAT receivable) and net fees receivable from GMO pooled funds.

(e) Depreciation

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

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

(f) Deferred taxation

The Company has adopted FRS 19 'Deferred Tax' in the financial statements. Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date. No provision is made for taxation on permanent differences. Deferred tax assets and liabilities are not discounted. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

(g) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

1 ACCOUNTING POLICIES (continued)

(h) Pension costs

The Company operates a defined contribution scheme, the assets of which are held separately from those of the Company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable. Contributions paid in the year are shown in note 19 to the financial statements.

(i) Operating Lease

All operating lease costs are charged to the profit and loss account.

2 COMPANY RESULT

The Company is exempt under Section 230 of the Companies Act 1985 from disclosing its own Profit and Loss Account. The profit of the Company for the year was £3,526,212 (2005: £3,435,916).

3 SEGMENTAL REPORTING

	2006 £	2005 £
Turnover		
United Kingdom	19,845,027	15,302,948
Europe & Rest of World	3,279,608	5,100,982
	<u>23,124,635</u>	<u>20,403,930</u>

4 OPERATING PROFIT

	2006 £	2005 £
Operating profit is stated after charging		
Staff costs (see Note 5)	13,523,231	9,500,507
Depreciation of tangible fixed assets	121,067	88,049
Auditors' remuneration		
Audit services	34,000	32,000
Non-audit services		
- current auditors	8,000	8,000
Operating lease charges		
Property	<u>392,791</u>	<u>383,150</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

5 EMPLOYEE INFORMATION

	2006 £	2005 £
Wages and salaries	12,663,164	8,390,841
Social security costs	810,279	1,061,820
Pension costs	49,788	47,846
	<u>13,523,231</u>	<u>9,500,507</u>

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

	2006 No.	2005 No.
By activity		
Management and administration	15	15
Investment professionals	10	11
	<u>25</u>	<u>26</u>

6 DIRECTORS' EMOLUMENTS

	2006 £	2005 £
Emoluments		
Aggregate emoluments	5,527,993	1,912,533
Total emoluments of the highest paid Director	<u>2,365,947</u>	<u>1,787,533</u>
Pension Contributions		
Aggregate contributions made by the Company during the year to Directors' defined contribution pension schemes	5,208	-
Contributions made by the Company during the year to defined contribution pension schemes in respect of the highest paid Director	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

7 TAXATION ON THE PROFIT FOR THE YEAR

	2006 £	2005 £
(a) Taxation on the profit of ordinary activities comprised:		
Current tax		
UK corporation tax on profits of the period	1,888,712	2,171,524
Adjustment in respect of previous periods	(469)	(138,791)
	<hr/>	<hr/>
Total current tax	1,888,243	2,032,733
Deferred tax		
Origination and reversal of timing differences	20,628	2,234
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>1,908,871</u>	<u>2,034,967</u>

(b) Factors affecting the tax calculation for the year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below

Profit on ordinary activities before tax	6,337,653	7,217,299
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate in the UK 30%	1,901,296	2,165,190
<i>Effects of</i>		
Expenses not deductible for tax purposes	8,691	7,688
Excess depreciation over capital allowances	(21,560)	(1,400)
Other	285	46
Prior year adjustments	(469)	(138,791)
	<hr/>	<hr/>
	<u>1,888,243</u>	<u>2,032,733</u>

8 DIVIDEND

	2006 £	2005 £
Dividend paid - £1 60 per share (2005 £ 1 per share)	<u>4,000,000</u>	<u>2,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

9 FIXED ASSETS – TANGIBLE ASSETS

GROUP	Leasehold improvements £	Office equipment £	Furniture and fittings £	Total £
COST				
As at 1 January 2006	179,056	1,093,633	251,800	1,524,489
Additions	3,650	51,602	122,868	178,120
Disposals & write offs	-	(698,362)	(193,014)	(891,376)
As at 31 December 2006	182,706	446,873	181,654	811,233
DEPRECIATION				
As at 1 January 2006	159,592	978,301	218,352	1,356,245
Charge for the year	11,439	71,360	38,268	121,067
Disposals & write offs	-	(698,362)	(193,014)	(891,376)
As at 31 December 2006	171,031	351,299	63,606	585,936
NET BOOK VALUE				
As at 31 December 2006	11,675	95,574	118,048	225,297
As at 31 December 2005	19,464	115,332	33,448	168,244
COMPANY				
	Leasehold improvements £	Office equipment £	Furniture and fittings £	Total £
COST				
As at 1 January 2006	22,965	131,019	41,830	195,814
Additions	3,650	51,602	122,868	178,120
As at 31 December 2006	26,615	182,621	164,698	373,934
DEPRECIATION				
As at 1 January 2006	3,501	46,467	8,382	58,350
Charge for the year	11,439	40,580	38,268	90,287
As at 31 December 2006	14,940	87,047	46,650	148,637
NET BOOK VALUE				
As at 31 December 2006	11,675	95,574	118,048	225,297
As at 31 December 2005	19,464	84,552	33,448	137,464

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

10 FIXED ASSET INVESTMENTS – GROUP UNDERTAKING

Company
2006
£

Investments in Group undertakings

At 1 January and 31 December 2006

-

Additional information on principal subsidiary held by GMO UK Limited

Name of Company	Country of incorporation/registration and operation	Class of shares held	Percentage of shares held	Nature of business
GMO Woolley Limited	United Kingdom	Ordinary	100%	Investment management

11 DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Due within one year				
Trade debtors	1,131,551	764,346	1,090,855	670,923
Other debtors	380	15,005	380	15,005
Amounts due from Group undertakings	-	13,141	-	2,680,318
Prepayments and accrued income	5,139,391	7,844,295	4,267,109	3,191,888
	<u>6,271,322</u>	<u>8,636,787</u>	<u>5,358,344</u>	<u>6,558,134</u>
Due after one year				
Deferred tax asset	13,849	34,477	-	-
	<u>13,849</u>	<u>34,477</u>	<u>-</u>	<u>-</u>
Total debtors	<u>6,285,171</u>	<u>8,671,264</u>	<u>5,358,344</u>	<u>6,558,134</u>
The deferred tax asset represents				
Capital allowances	13,849	34,477	-	-
Other timing differences	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

12 CURRENT ASSETS INVESTMENTS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Liquid funds as at 1 January	5,916,339	5,845,775	2,481,038	4,182,085
Net liquid funds subscribed /(redeemed)	3,812,737	70,564	4,665,556	(1,701,047)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liquid funds as at 31 December	<u>9,729,076</u>	<u>5,916,339</u>	<u>7,146,594</u>	<u>2,481,038</u>

Current asset investments represent amounts invested in pooled money market funds available on demand

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	47,117	45,855	47,117	45,855
Other creditors	45,150	6,781	8,518	6,781
Amount due to parent undertaking	155,340	-	521,644	-
Taxation and social security	1,056,751	705,006	1,056,751	705,006
Corporation tax	872,968	1,575,091	654,358	786,416
Accruals and deferred income	5,472,363	3,758,012	5,472,363	3,758,012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total creditors	<u>7,649,689</u>	<u>6,090,745</u>	<u>7,760,751</u>	<u>5,302,070</u>

14 CALLED UP SHARE CAPITAL

	Group and Company	Group and Company
	2006	2005
	£	£
Authorised		
2,500,000 ordinary shares of £1 each	2,500,000	2,500,000
	<u> </u>	<u> </u>
Allotted and fully paid		
2,500,000 ordinary shares of £1 each	2,500,000	2,500,000
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

15 RESERVES

Group	Merger reserve £	Profit and loss account £	Total £
At 1 January 2006	360,000	7,691,685	8,051,685
Profit for the year	-	4,428,782	4,428,782
Dividend paid	-	(4,000,000)	(4,000,000)
At 31 December 2006	<u>360,000</u>	<u>8,120,467</u>	<u>8,480,467</u>

Company	Profit and loss account £
At 1 January 2006	3,206,092
Profit for the year	3,526,212
Dividend paid	(2,000,000)
At 31 December 2006	<u>4,732,304</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Profit for the period	4,428,782	5,182,332	3,526,212	3,435,916
Dividend	(4,000,000)	(2,500,000)	(2,000,000)	(2,500,000)
Net increase in the year	<u>428,782</u>	<u>2,682,332</u>	<u>1,526,212</u>	<u>935,916</u>
Opening shareholder's funds as at 1 January	<u>10,551,685</u>	<u>7,869,353</u>	<u>5,706,092</u>	<u>4,770,176</u>
Closing shareholder's funds at 31 December	<u>10,980,467</u>	<u>10,551,685</u>	<u>7,232,304</u>	<u>5,706,092</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

17 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	5,997,989	6,977,530
Depreciation	121,067	88,049
Change in debtors	2,386,093	(2,639,302)
Change in creditors	2,261,067	840,295
	<hr/>	<hr/>
Net cash inflow from operating activities	10,766,216	5,266,572
	<hr/> <hr/>	<hr/> <hr/>

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £	2005 £
Net funds as at 1 January	1,886,583	510,261
Increase in cash in the year	504,029	1,376,322
	<hr/>	<hr/>
Net funds as at 31 December	2,390,612	1,886,583
	<hr/> <hr/>	<hr/> <hr/>

19 PENSION COMMITMENTS

The Company operates a defined contribution pension scheme with assets held in a separately administered fund. Contributions totalling £8,518 (2005 £6,781) were payable to the fund at year end. Contributions charged to the consolidated profit and loss account for the year were £49,788 (2005 £47,846).

20 CAPITAL AND OTHER COMMITMENTS

As at 31 December 2006 the Group had the following annual commitments under non cancellable operating leases

	2006 £	2005 £
Land and buildings	£	£
Within one year	392,791	-
Between one and two years	-	383,150
	<hr/> <hr/>	<hr/> <hr/>

A break clause exists and could be exercised on 13 September 2007, although the Directors do not intend to exercise this option.

21 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is Grantham, Mayo, Van Otterloo & Co L L C

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2006 (continued)

22 RELATED PARTY TRANSACTIONS

During the year, the Group paid transfer pricing charges totalling £1,673,731 (2005 £2,379,706) to Grantham, Mayo, Van Otterloo & Co L L C. As at 31 December 2006 a net amount of £155,340 was due to (2005 £13,141 was due from) that Company in respect of transfer pricing charges.

During the year the Group received fee income in the ordinary course of business from GMO Funds Plc (an investment company with variable capital incorporated in Ireland), to which GMO UK Limited has been appointed the investment manager. P Bostock was also a Director of GMO Funds Plc until his resignation on 5 January 2007 when U Mueller was appointed in his place. Fees receivable in the year amounted to £4,939,877 (2005 £3,683,043). At the balance sheet date, the Group was owed £451,831 (2005 £394,782).

The Company has taken advantage of the exemptions available under FRS 8 not to disclose related party transactions with its subsidiary undertaking on the basis that the subsidiary undertaking is wholly owned.

25 April 2007