

Report & Financial Statements

For the year ended 31 December 2007

GMO UK Limited

Company Number: 4658801

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GMO UK LIMITED

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DIRECTORS' REPORT**For the year ended 31 December 2007**

The Directors present their report and the audited financial statements of GMO UK Limited (the "Company") and its subsidiaries, GMO Woolley Limited and GMO Investment Management Company (Ireland) Limited (together the "Group") for the year ended 31 December 2007

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 4%, whereas profit after tax has increased by 21% primarily due to a small increase (3%) in administrative expenses and a £642,447 prior year tax adjustment. The Company's profit for the financial year after taxation is £6,711,003 (2006 £5,526,212). Total dividends of £9,000,000 (2006 £4,000,000) were paid to Grantham, Mayo, Van Otterloo & Co L L.C. during the year. The consolidated balance sheet shows that both net assets and cash are lower at the year end compared to the prior year as a result of this higher level of dividends paid. Consolidated net assets have fallen by 33% since last year-end, whereas, cash and liquid funds are 19% lower.

At 31 December 2007, all assets and liabilities of GMO Woolley Limited were transferred to the Company and the distributable reserves paid up as a dividend in February 2008.

Furthermore in the present banking climate, we have reviewed how we invest our cash balances and have now replaced our money market fund principally with UK government bond positions as part of our ongoing financial risk management policy. 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 2007 were

Assets Under Management (Serviced by GMO UK Group) -

Segregated	£5.03 bn (2006: £5.98 bn)
Pooled	£1.66 bn (2006 £0.94 bn)
Total	£6.69 bn (2006: £6.92 bn)

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

Segregated	-16% (2006: +45%)
Pooled	+76% (2006 +13%)
Total	-3% (2006: +39%)

Relative Performance of Strategies (Managed by GMO UK Group) over 3 & 5 years -

UK Value	3 years - 0.75% (2006 -1.48%) 5 years 0.93% (2006 0.18%)
Global Equity Value	3 years. 0.37% (2006 -0.11%) 5 years 1.66% (2006 1.15%)

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 poor investment performance, changes in the demand of clients which may lead them to allocate their assets away from the Company and the loss of clients related to unsatisfactory service. From an operational perspective the main risks are related to trading and to managing client cash flows. 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 beyond the provision of strong investment results.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group closely monitors its exposure to financial risk. The Group does not enter into any hedging transactions. The Group has no borrowings and therefore its exposure to interest rate risk is limited to returns achieved on its cash balances. The Group's principal financial assets are bank and cash balances and trade and other receivables. These represent the Group's maximum exposure to credit risk in relation to financial assets and this risk is closely monitored by the finance function. The Group has limited exposure to currency risk.

EMPLOYEES

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company began a program of matching employees' charitable gifts (up to a salary-related limit). During the year the Company made contributions under this program of £56,938 (2006 £Nil).

DIRECTORS

The Directors who held office during the year are given below.

P J Bostock
S Eston
R J G Grantham
S Harris
B Hilsabeck
U Mueller
A Orus

DIRECTORS' REPORT (continued)
For the year ended 31 December 2007

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.

STATEMENTS AS TO DISCLOSURE OF INFORMATION TO AUDITORS

We have taken all the necessary steps to make us aware, as directors, 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

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
25 April 2008
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 2007, 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.

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

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 2007 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
Tower Bridge House
St Katharine's Way
London E1W 1DD

25 April 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2007

	Notes	2007 £	2006 £
TURNOVER	3	24,004,321	23,124,635
Administrative expenses		(17,649,388)	(17,126,646)
OPERATING PROFIT	4	6,354,933	5,997,989
Interest receivable and similar income		450,021	339,664
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,804,954	6,337,653
Taxation	7	(1,406,357)	(1,908,871)
PROFIT FOR THE FINANCIAL YEAR	15	5,398,597	4,428,782

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

All activities relate to continuing operations.

CONSOLIDATED BALANCE SHEET
as at 31 December 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	9	220,917	225,297
CURRENT ASSETS			
Debtors	11	7,352,655	6,285,171
Investments	12	-	9,729,076
Cash at bank and in hand		9,807,313	2,390,612
		<u>17,159,968</u>	<u>18,404,859</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(10,001,821)	(7,649,689)
NET CURRENT ASSETS		<u>7,158,147</u>	<u>10,755,170</u>
NET ASSETS		<u>7,379,064</u>	<u>10,980,467</u>
CAPITAL AND RESERVES			
Share capital	14	2,500,000	2,500,000
Profit and loss account	15	4,519,064	8,120,467
Merger reserve	15	360,000	360,000
EQUITY SHAREHOLDER'S FUNDS	16	<u>7,379,064</u>	<u>10,980,467</u>

Approved by the Board of Directors on 25 April 2008
and signed on their behalf by



U Mueller
Director

COMPANY BALANCE SHEET
as at 31 December 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	9	220,917	225,297
Investments	10	84,152	-
		<u>305,069</u>	<u>225,297</u>
CURRENT ASSETS			
Debtors	11	7,384,409	5,358,344
Investments	12	-	7,146,594
Cash at bank and in hand		9,665,346	2,262,820
		<u>17,049,755</u>	<u>14,767,758</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(12,411,517)	(7,760,751)
NET CURRENT ASSETS		<u>4,638,238</u>	<u>7,007,007</u>
NET ASSETS		<u>4,943,307</u>	<u>7,232,304</u>
CAPITAL AND RESERVES	-		
Share capital	14	2,500,000	2,500,000
Profit and loss account	15	2,443,307	4,732,304
EQUITY SHAREHOLDER'S FUNDS	16	<u>4,943,307</u>	<u>7,232,304</u>

Approved by the Board of Directors on 25 April 2008
and signed on their behalf by



U Mueller
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2007

	Notes	2007 £	2006 £
Net cash inflow from operating activities	17	7,637,256	10,766,216
Returns on investments and servicing of finance			
- Interest received		450,021	339,664
Taxation			
- Tax paid		(1,285,011)	(2,610,994)
Capital expenditure			
- Payments to acquire tangible fixed assets		(114,641)	(178,120)
Equity dividends paid		(9,000,000)	(4,000,000)
Net cash inflow before use of liquid resources and financing		(2,312,375)	4,316,766
Management of liquid resources			
- Subscription/Redemption of liquid funds	12	9,729,076	(3,812,737)
Increase in cash in the year	18	7,416,701	504,029

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

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 undertakings made up to 31 December 2007.

The profits and losses of subsidiary undertakings, other than GMO Woolley Limited, are consolidated from the date of acquisition to the date of disposal using the acquisition method of accounting. When the company's shares are issued in respect of an acquisition, the share premium is computed on the basis of the market value of the shares at the date of acquisition. The difference between the cost of acquisition of shares in these subsidiaries and the fair value of the separable net assets acquired is amortised through the profit and loss account in equal instalments over its estimated useful life.

In respect of GMO Woolley Limited, the group financial statements have been prepared in accordance with the principles of merger accounting set out in Financial Reporting Standard 6, 'Acquisitions and Mergers' 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 (net of VAT) and net fees receivable from GMO pooled funds.

Turnover from the provision of asset management services is recognised as the services are provided.

The Group has entitlement to earn performance fees from a number of clients where the actual fund performance of the clients' assets exceed 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 estimated reliably, which is normally at the end of the performance period when this occurs on or before the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

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 £6,711,003 (2006 £5,526,212)

3 TURNOVER

	2007	2006
Turnover	£	£
United Kingdom	20,516,080	19,845,027
Europe & Rest of World	3,488,241	3,279,608
	<u>24,004,321</u>	<u>23,124,635</u>

4 OPERATING PROFIT

	2007	2006
	£	£
Operating profit is stated after charging		
Staff costs (see note 5)	16,686,872	13,523,231
Depreciation of tangible fixed assets	119,021	121,067
Auditors' remuneration		
Audit services	34,000	34,000
Non-audit services		
- current auditors	8,000	8,000
Operating lease charges		
Property	<u>370,860</u>	<u>383,150</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

5 EMPLOYEE INFORMATION

	2007	2006
	£	£
Wages and salaries	14,758,553	11,960,807
Social security costs	1,869,817	1,512,636
Pension costs	58,502	49,788
	<u>16,686,872</u>	<u>13,523,231</u>

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

	2007	2006
	No.	No.
By activity		
Management and administration	17	15
Investment professionals	9	10
	<u>26</u>	<u>25</u>

6. DIRECTORS' EMOLUMENTS

	2007	2006
	£	£
Emoluments		
Aggregate emoluments	6,573,841	5,527,993
Total emoluments of the highest paid Director	<u>2,826,340</u>	<u>2,365,947</u>
Pension Contributions		
Aggregate contributions made by the Company during the year to Directors' defined contribution pension schemes	7,812	5,208
Contributions made by the Company during the year to defined contribution pension schemes in respect of the highest paid Director	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007 (continued)

7. TAXATION ON THE PROFIT FOR THE YEAR

	2007 £	2006 £
(a) Tax on the profit of ordinary activities comprised:		
Current tax		
UK corporation tax on profits of the period	2,044,001	1,888,712
Adjustment in respect of previous periods	(642,447)	(469)
	<u>1,401,554</u>	<u>1,888,243</u>
Foreign tax		
Corporation tax on profits in the period	<u>1,637</u>	<u>-</u>
Total current tax	1,403,191	1,888,243
Deferred tax		
Origination and reversal of timing differences	<u>3,166</u>	<u>20,628</u>
Tax on profit on ordinary activities	<u><u>1,406,357</u></u>	<u><u>1,908,871</u></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	<u>6,804,954</u>	<u>6,337,653</u>
Profit on ordinary activities multiplied by standard rate in the UK 30%	2,041,487	1,901,296
<i>Effects of</i>		
Expenses not deductible for tax purposes	11,806	8,691
Excess depreciation over capital allowances	(5,683)	(21,560)
Lower tax rates on overseas earnings	(2,051)	-
Other	79	285
Prior year adjustments	<u>(642,447)</u>	<u>(469)</u>
	<u><u>1,403,191</u></u>	<u><u>1,888,243</u></u>

8. DIVIDEND

	2007 £	2006 £
Dividend paid - £ 3 60 per share (2006 £1.60 per share)	<u><u>9,000,000</u></u>	<u><u>4,000,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

9. FIXED ASSETS – TANGIBLE ASSETS

GROUP	Leasehold improvements £	Office equipment £	Furniture and fittings £	Total £
COST				
As at 1 January 2007	182,706	446,873	181,654	811,233
Additions	-	105,811	8,830	114,641
Disposals & write offs	(156,091)	(264,252)	(16,956)	(437,299)
	<u>26,615</u>	<u>288,432</u>	<u>173,528</u>	<u>488,575</u>
DEPRECIATION				
As at 1 January 2007	171,031	351,299	63,606	585,936
Charge for the year	11,675	65,068	42,278	119,021
Disposals & write offs	(156,091)	(264,252)	(16,956)	(437,299)
	<u>26,615</u>	<u>152,115</u>	<u>88,928</u>	<u>267,658</u>
NET BOOK VALUE				
As at 31 December 2007	-	136,317	84,600	220,917
	<u><u>11,675</u></u>	<u><u>95,574</u></u>	<u><u>118,048</u></u>	<u><u>225,297</u></u>
As at 31 December 2006	<u><u>11,675</u></u>	<u><u>95,574</u></u>	<u><u>118,048</u></u>	<u><u>225,297</u></u>
COMPANY	Leasehold improvements £	Office equipment £	Furniture and fittings £	Total £
COST				
As at 1 January 2007	26,615	182,621	164,698	373,934
Additions	-	105,811	8,830	114,641
	<u>26,615</u>	<u>288,432</u>	<u>173,528</u>	<u>488,575</u>
DEPRECIATION				
As at 1 January 2007	14,940	87,047	46,650	148,637
Charge for the year	11,675	65,068	42,278	119,021
	<u>26,615</u>	<u>152,115</u>	<u>88,928</u>	<u>267,658</u>
NET BOOK VALUE				
As at 31 December 2007	-	136,317	84,600	220,917
	<u><u>11,675</u></u>	<u><u>95,574</u></u>	<u><u>118,048</u></u>	<u><u>225,297</u></u>
As at 31 December 2006	<u><u>11,675</u></u>	<u><u>95,574</u></u>	<u><u>118,048</u></u>	<u><u>225,297</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

10. FIXED ASSET INVESTMENTS – GROUP UNDERTAKING

Company
2007
£

Investments in Group undertakings

At 1 January 2007

-

Additions

84,152

At 31 December 2007

84,152

Additional information on principal subsidiaries 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
GMO Investment Management Company (Ireland) Limited	Ireland	Ordinary	100%	Investment management

On 11 June 2007, 100% of the issued share capital of GMO Investment Management Company (Ireland) Limited was acquired for a cash consideration of €125,000. This acquisition has been accounted for by the acquisition method of accounting. No goodwill arose upon acquisition.

The profit after taxation of GMO Investment Management Company (Ireland) Limited for the period from the date of acquisition to the balance sheet date included within consolidation was £10,655.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

11 DEBTORS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Due within one year				
Trade debtors	1,582,366	1,131,551	1,529,705	1,090,855
Other debtors	114,589	380	114,589	380
Amounts due from Parent undertaking/Group undertakings	1,058,907	-	1,143,322	-
Prepayments and accrued income	4,586,110	5,139,391	4,586,110	4,267,109
	<u>7,341,972</u>	<u>6,271,322</u>	<u>7,373,726</u>	<u>5,358,344</u>
Due after one year				
Deferred tax asset	10,683	13,849	10,683	-
	<u>7,352,655</u>	<u>6,285,171</u>	<u>7,384,409</u>	<u>5,358,344</u>
The deferred tax asset represents				
Capital allowances	9,260	13,849	9,260	-
Other timing differences	1,423	-	1,423	-
	<u>9,260</u>	<u>13,849</u>	<u>9,260</u>	<u>-</u>

12 CURRENT ASSETS: INVESTMENTS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Liquid funds as at 1 January	9,729,076	5,916,339	7,146,594	2,481,038
Net liquid funds Redeemed /(subscribed)	<u>(9,729,076)</u>	<u>3,812,737</u>	<u>(7,146,594)</u>	<u>4,665,556</u>
Liquid funds as at 31 December	<u>-</u>	<u>9,729,076</u>	<u>-</u>	<u>7,146,594</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	35,579	47,117	35,579	47,117
Other creditors	110,600	45,150	110,600	8,518
Amount due to parent undertaking /group undertaking	-	155,340	2,425,092	521,644
Taxation and social security	1,507,989	1,056,751	1,507,989	1,056,751
Corporation tax	991,148	872,968	989,511	654,358
Accruals and deferred income	7,356,505	5,472,363	7,342,746	5,472,363
	<u>10,001,821</u>	<u>7,649,689</u>	<u>12,411,517</u>	<u>7,760,751</u>
Total creditors	10,001,821	7,649,689	12,411,517	7,760,751

14. CALLED UP SHARE CAPITAL

	Group and Company 2007 £	Group and Company 2006 £
Authorised 2,500,000 ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>
Allotted and fully paid 2,500,000 ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

15 RESERVES

Group	Merger reserve £	Profit and loss account £	Total £
At 1 January 2007	360,000	8,120,467	8,480,467
Profit for the year	-	5,398,597	5,398,597
Dividend paid	-	(9,000,000)	(9,000,000)
At 31 December 2007	<u>360,000</u>	<u>4,519,064</u>	<u>4,879,064</u>
Company		Profit and loss account £	
At 1 January 2007			4,732,304
Profit for the year			6,711,003
Dividend paid			(9,000,000)
At 31 December 2007			<u>2,443,307</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Profit for the period	5,398,597	4,428,782	6,711,003	5,526,212
Dividend	<u>(9,000,000)</u>	<u>(4,000,000)</u>	<u>(9,000,000)</u>	<u>(4,000,000)</u>
Net decrease/increase in the year	(3,601,404)	428,782	(2,288,997)	1,526,212
Opening shareholder's funds as at 1 January	<u>10,980,467</u>	<u>10,551,685</u>	<u>7,232,304</u>	<u>5,706,092</u>
Closing shareholder's funds at 31 December	<u>7,379,064</u>	<u>10,980,467</u>	<u>4,943,307</u>	<u>7,232,304</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

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

	2007 £	2006 £
Operating profit	6,354,933	5,997,989
Depreciation	119,021	121,067
Change in debtors	(1,070,650)	2,386,093
Change in creditors	2,233,952	2,261,067
	<u>7,637,256</u>	<u>10,766,216</u>
Net cash inflow from operating activities	<u>7,637,256</u>	<u>10,766,216</u>

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2007 £	2006 £
Net funds as at 1 January	2,390,612	1,886,583
Increase in cash in the year	7,416,701	504,029
	<u>9,807,313</u>	<u>2,390,612</u>
Net funds as at 31 December	<u>9,807,313</u>	<u>2,390,612</u>

19 PENSION COMMITMENTS

The Company operates a defined contribution pension scheme with assets held in a separately administered fund. Contributions totalling £11,379 (2006 £8,518) were payable to the fund at year end. Contributions charged to the consolidated profit and loss account for the year were £58,502 (2006 £49,788).

20. CAPITAL AND OTHER COMMITMENTS

As at 31 December 2007 the Group had the following annual commitments under non cancellable operating leases

	2007 £	2006 £
Land and buildings	-	383,150
Within one year	-	-
Over five years	<u>365,897</u>	<u>-</u>

A break clause exists and could be exercised on 24 June 2012

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

21 ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking and controlling party is Grantham, Mayo, Van Otterloo & Co L L C, incorporated in the U S A

22 RELATED PARTY TRANSACTIONS

During the year, the Group received net transfer pricing income totalling £972,312 (2006: paid charges of £1,673,731) from Grantham, Mayo, Van Otterloo & Co. L L C As at 31 December 2007, a net amount of £1,058,907 was due from (2006 £155,340 was due to) 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 U Mueller was a Director of GMO Funds Plc from his appointment on 5 January 2007. Fees receivable in the year amounted to £5,451,297 (2006 £4,939,877) At the balance sheet date, the Group was owed £435,860 net (2006 £451,831 net)

P Bostock was a Director of Inquire UK in 2007. Fees payable in the year to this company amounted to £4,800 (2006 £4,650)

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