



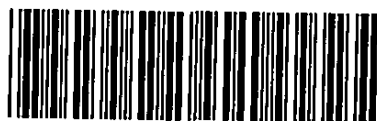
Reports & Financial Statements

For the year ended 31 December 2011

GMO UK Limited

Company Number: 04658801

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DIRECTORS' REPORT**For the year ended 31 December 2011**

The Directors present their report and the audited financial statements of GMO UK Limited (the "Company") and its subsidiary GMO Investment Management Company (Ireland) Limited (together the "Group") for the year ended 31 December 2011

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company is a wholly owned subsidiary of Grantham, Mayo, Van Otterloo & Co LLC, 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

In respect of the Company's business operations, a branch office was established in Amsterdam in order to service more effectively the Company's clients based in the Netherlands and other continental European countries. Regulatory approval was received from the Netherlands Authority for the Financial Markets ("AFM") on 10th November 2011 confirming the Company's registration with the AFM as a European Passport-holder. The Amsterdam branch commenced its regulated activity with effect from 1st January 2012

As shown in the consolidated profit and loss account, the Group's turnover has increased by 7% in the year, which together with the 3% decrease in administrative expenses and the 100% increase in GMO LLC, transfer pricing income, 69% of which relates to the exceptional income as described in notes 4 and 24, resulted in the Group's profit after tax increasing by 83%

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 2011 were

Assets Under Management (Serviced by GMO UK Group) as at 31 December 2011 -

Segregated	£2.97 bn (2010: £3.86 bn)
Pooled	£2.43 bn (2010: £2.53 bn)
Total	£5.40 bn (2010: £6.39 bn)

Change in Assets Under Management (Serviced by GMO UK Group) from 31 December 2010 to 31 December 2011 -

Segregated	-23% (2010: +0%)
Pooled	-4% (2010: +16%)
Total	-15% (2010: +6%)

New business won by GMO UK Limited in 2011 (Serviced by GMO UK Group) -

Segregated	£0.00 bn (2010: £0.31 bn)
Pooled	£0.12 bn (2010: £0.20 bn)
Total	£0.12 bn (2010: £0.51 bn)

DIRECTORS' REPORT (continued)
For the year ended 31 December 2011

DIVIDEND

A dividend of £3,000,000 (2010 £2,500,000) was paid to Grantham, Mayo, Van Otterloo & Co LLC during the year. On 29th March 2012, the Directors approved the payment of a dividend to Grantham, Mayo, Van Otterloo & Co LLC of £7,000,000 reducing the equity shareholder's funds by a corresponding amount

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that all suppliers are made aware of the terms of payment and to abide by the terms of payment.

As at 31st December 2011, the number of creditor days in relation to purchase invoices outstanding at the year end was 18 days (2010 42 days)

EMPLOYEES

Details of the number of employees and related costs can be found in note 6 to the financial statements

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company operates a programme of matching employees' charitable gifts (up to a salary-related limit). During the year the Group made charitable contributions of £38,000 (2010 £30,000)

DIRECTORS' REPORT (continued)
For the year ended 31 December 2011

DIRECTORS

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

S Harris

B Hilsabeck (Resigned 16th August 2011)

J B Kittredge

J P Mittaz

U Mueller

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for the 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 caused 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 (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. The Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records to be kept that are sufficient to (1) show and explain the Company's transactions, (2) to disclose with reasonable accuracy at any time the financial position of the Company and the Group and (3) to 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 (excluding an auditor) of the Company an indemnity out of the assets of the Company against any liability incurred by him in the actual or purported execution, or discharge of his duties, or the exercise or purported exercise of his powers, or otherwise in relation to, or in connection with his duties, powers or office, but

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

Appropriate 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 2011

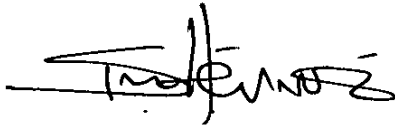
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 will be proposed at the next Board Meeting

A handwritten signature in black ink, appearing to read 'Simon Harris', written over a horizontal line.

Simon Harris
Director

24th April 2012

Registered Office
One Angel Court
Throgmorton Street
London
EC2R 7HJ

REMUNERATION CODE**Introduction**

This report has been prepared in accordance with the Remuneration Code (the “Code”) adopted pursuant to SYSC 19A of the FSA Handbook as applicable to a Company which is classified as a Tier 4 firm. The Code is effective from 1 January 2011.

Remuneration Policy

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

Link between remuneration and performance

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

Business area

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

Quantitative information on remuneration

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

Remuneration – Senior Management	2011	2010
	£	£
Wages and salaries	2,543,886	3,415,812
Social security costs	351,056	437,224
Pension costs	14,240	16,051
	<u>2,909,182</u>	<u>3,869,087</u>
	<u><u>2,909,182</u></u>	<u><u>3,869,087</u></u>
 Remuneration – Employees whose actions have a material impact on the risk profile of the Company	 2011	 2010
	£	£
Wages and salaries	5,176,460	4,848,238
Social security costs	714,351	620,574
Pension costs	19,461	8,703
	<u>5,910,272</u>	<u>5,477,515</u>
	<u><u>5,910,272</u></u>	<u><u>5,477,515</u></u>

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

We have audited the financial statements of GMO UK Limited for the year ended 31 December 2011 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and Auditor

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at <http://www.frc.org.uk/apb/scope/private.cfm>.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2011 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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



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

24th April 2012

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2011

	Notes	2011 £	2010 £
TURNOVER	3	18,677,649	17,517,794
Administrative expenses		(14,579,916)	(15,001,325)
Other operating income	23	5,598,390	2,799,456
OPERATING PROFIT	4	9,696,123	5,315,925
Other interest receivable and similar income	5	26,349	80,168
Amounts written off investments		(2,367)	(43,523)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		9,720,105	5,352,570
Taxation	8	(2,655,682)	(1,499,551)
PROFIT FOR THE FINANCIAL YEAR	16	7,064,423	3,853,019

All activities relate to continuing operations

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

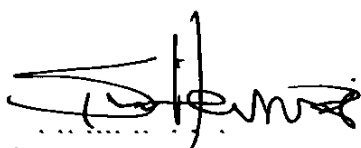
CONSOLIDATED BALANCE SHEET
as at 31 December 2011

	Notes	2011 £	2010 £
FIXED ASSETS			
Tangible assets	10	76,249	109,188
CURRENT ASSETS			
Debtors	12	9,193,978	5,688,657
Investments	13	5,916,034	-
Cash at bank and in hand		6,219,622	11,174,193
		<u>21,329,634</u>	<u>16,862,850</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>(7,223,524)</u>	<u>(6,854,102)</u>
NET CURRENT ASSETS		<u>14,106,110</u>	<u>10,008,748</u>
NET ASSETS		<u><u>14,182,359</u></u>	<u><u>10,117,936</u></u>
CAPITAL AND RESERVES			
Share capital	15	2,500,000	2,500,000
Profit and loss account	16	<u>11,682,359</u>	<u>7,617,936</u>
EQUITY SHAREHOLDER'S FUNDS	17	<u><u>14,182,359</u></u>	<u><u>10,117,936</u></u>

COMPANY BALANCE SHEET
as at 31 December 2011

	Notes	2011 £	2010 £
FIXED ASSETS			
Tangible assets	10	76,249	109,188
Investments	11	84,153	84,153
		<u>160,402</u>	<u>193,341</u>
CURRENT ASSETS			
Debtors	12	9,172,680	5,831,033
Investments	13	5,916,034	-
Cash at bank and in hand		6,071,730	10,867,959
		<u>21,160,444</u>	<u>16,698,992</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>(7,206,256)</u>	<u>(6,839,583)</u>
NET CURRENT ASSETS		<u>13,954,188</u>	<u>9,859,409</u>
NET ASSETS		<u><u>14,114,590</u></u>	<u><u>10,052,750</u></u>
CAPITAL AND RESERVES			
Share capital	15	2,500,000	2,500,000
Profit and loss account	16	11,614,590	7,552,750
EQUITY SHAREHOLDER'S FUNDS	17	<u><u>14,114,590</u></u>	<u><u>10,052,750</u></u>

Approved and authorised by the Board of Directors on 24th April 2012
and signed on their behalf by



Simon Harris
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	18	5,657,069	4,169,582
Returns on investments and servicing of finance			
- Interest received		26,349	80,168
Taxation			
- Tax paid		(1,692,322)	(857,039)
Capital expenditure			
- Payments to acquire tangible fixed assets		(27,266)	(46,607)
- Receipts from sale of tangible fixed assets		-	3,173
Equity dividends paid		(3,000,000)	(2,500,000)
Net cash inflow before use of liquid resources and financing		963,830	849,277
Management of liquid resources			
- Purchase of UK Treasury Stock		(5,918,401)	-
- Sale of UK Treasury Stock		-	7,735,429
(Decrease)/increase in cash in the year	19	<u>(4,954,571)</u>	<u>8,584,706</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1. ACCOUNTING POLICIES

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 undertaking made up to 31 December 2011

(b) Accounting convention

The Group financial statements have been prepared under the historical cost convention as modified to include the revaluation of current asset investments. They have been prepared in accordance with applicable Statements of Standard Accounting Practice and Financial Reporting Standards

(c) Investments

Investments held as fixed assets by the Group and Company are carried at the lower of cost and net realisable value. Current asset investments are stated at current value at the balance sheet date.

(d) Turnover

Turnover represents 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 when the services have been provided and the fees can be ascertained and charged.

The Group has entitlement to earn performance fees from a number of clients where the actual performance of the clients' assets managed by GMO UK 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) Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

1. ACCOUNTING POLICIES (continued)

(f) Deferred taxation

The Company applies 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. Differences arising on the translation of such items are dealt with in the profit and loss account.

(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 group of funds. Contributions are charged to the profit and loss account as they become payable. Contributions paid in the year are shown in note 20 to the financial statements.

(i) Operating lease

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

(j) Liquid resources

The following current asset investments are included in liquid resources for the purpose of preparing the cash flow statement:

- UK Treasury Stock

2. COMPANY RESULT

The Company is exempt under Section 408 of Companies Act 2006 from disclosing its own profit and loss account. The profit of the Company for the year (see note 16) was £7,061,840 (2010: £3,833,848).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

3. TURNOVER

	2011	2010
	£	£
Turnover		
United Kingdom	17,272,884	15,622,287
Europe & Rest of World	1,404,765	1,895,507
	<u>18,677,649</u>	<u>17,517,794</u>

The geographical segmentation of turnover disclosed above is determined by the location of the GMO office servicing the clients generating such income

4. OPERATING PROFIT

	2011	2010
	£	£
Operating profit is stated after (crediting) / charging		
Other operating income – net transfer pricing income (see note 23)	(3,658,176)	(2,799,456)
Exceptional income – other operating income - net transfer pricing income (see note 23)	(1,940,214)	-
Staff costs (see note 6)	12,255,540	12,762,558
Depreciation of tangible fixed assets	48,066	71,343
Impairment losses on tangible fixed assets	12,139	-
Loss on disposal of fixed assets	-	1,750
Loss from foreign currency conversion	7,941	28,018
Fees payable to the Company's auditor for the audit of the Company's annual accounts	37,000	36,000
Fees payable to the Company's auditor and its associates for other services:		
- The audit of the Company's subsidiaries pursuant to legislation	6,190	4,669
- Tax services	7,864	11,533
Operating lease charges		
- Land and buildings	<u>381,759</u>	<u>370,842</u>

Exceptional income has been recognised following a detailed review by GMO UK management of revenue sharing income under a netting and payment agreement with Grantham, Mayo, Van Otterloo & Co LLC. Following this review, net transfer pricing income of £1,940,214 has been determined as payable to the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	2010
	£	£
Bank and other interest receivable	26,349	80,168

6. EMPLOYEE INFORMATION

Remuneration - All Company employees

	2011	2010
	£	£
Wages and salaries	10,745,522	11,260,352
Social security costs	1,421,668	1,402,327
Pension costs	88,350	99,879
	<u>12,255,540</u>	<u>12,762,558</u>

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

	2011	2010
	No.	No.
By activity		
Management and administration	18	16
Investment professionals	10	13
	<u>28</u>	<u>29</u>

7. DIRECTORS' EMOLUMENTS

	2011	2010
	£	£
Emoluments		
Aggregate emoluments	2,260,886	3,147,811
Total emoluments of the highest paid Director	<u>1,984,748</u>	<u>1,942,208</u>
Pension Contributions		
Aggregate contributions made by the Company during the year to Directors' defined contribution pension schemes	1,690	3,247
Contributions made by the Company during the year to defined contribution pension schemes in respect of the highest paid Director	<u>-</u>	<u>-</u>

During the year, no Director received accrued benefits under Directors' defined contribution pension schemes (2010 Nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

8. TAXATION ON THE PROFIT FOR THE YEAR

	2011 £	2010 £
(a) Tax on the profit of ordinary activities comprised:		
Current tax:		
UK corporation tax on profits of the period	2,654,004	1,491,515
Foreign tax	374	2,748
Adjustment in respect of previous periods	-	791
	<hr/>	<hr/>
Current tax charge for the year	2,654,378	1,495,054
Deferred tax:		
Origination and reversal of timing differences	1,304	4,497
	<hr/>	<hr/>
Total deferred tax	1,304	4,497
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	<u>2,655,682</u>	<u>1,499,551</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 of 26.5% (2010: 28%). The differences are explained below		
Profit on ordinary activities before tax	9,720,105	5,352,570
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	2,575,828	1,498,720
<i>Effects of</i>		
Expenses not deductible for tax purposes	16,727	2,764
Depreciation in excess of / (less than) capital allowances	241	(3,794)
Other timing differences	(209)	(37)
Rate differences	61,791	(3,390)
Prior year under provision	-	791
	<hr/>	<hr/>
Current tax charge for the year	<u>2,654,378</u>	<u>1,495,054</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

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

	2011	2010
	£	£
(c) The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 12)	16,700	18,004
Total recognised deferred tax asset	<u>16,700</u>	<u>18,004</u>
Accelerated capital allowances	12,965	13,757
Other timing differences	3,735	4,247
Total recognised deferred tax asset	<u>16,700</u>	<u>18,004</u>
Deferred tax asset at the start of the year	18,004	22,501
Deferred tax charge in profit and loss account for the year	<u>(1,304)</u>	<u>(4,497)</u>
Deferred tax asset at the end of the year	<u>16,700</u>	<u>18,004</u>

9. DIVIDEND

	2011	2010
	£	£
Dividend paid on 2,500,000 ordinary shares - £1 20 per share (2010: £1 per share)	<u>3,000,000</u>	<u>2,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

10. FIXED ASSETS – TANGIBLE ASSETS

GROUP & COMPANY	Leasehold improve- ments £	Office equipment £	Furniture and Fittings £	Total £
COST				
As at 1 January 2011	37,445	361,063	185,735	584,243
Additions	-	25,494	1,772	27,266
Disposals	-	(79,640)	-	(79,640)
As at 31 December 2011	37,445	306,917	187,507	531,869
DEPRECIATION				
As at 1 January 2011	32,225	267,175	175,655	475,055
Charge for the year	1,898	41,901	4,267	48,066
Impairment losses	-	12,139	-	12,139
Disposals	-	(79,640)	-	(79,640)
As at 31 December 2011	34,123	241,575	179,922	455,620
NET BOOK VALUE				
As at 31 December 2011	3,322	65,342	7,585	76,249
As at 31 December 2010	5,220	93,888	10,080	109,188

11. FIXED ASSET INVESTMENTS – GROUP UNDERTAKINGS

	Company 2011 £
Investments in group undertakings	
At 1 January and 31 December 2011	84,153

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 Investment Management Company (Ireland) Limited	Ireland	Ordinary	100%	Investment management

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

12. DEBTORS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Due within one year				
Trade debtors	740,287	537,260	740,287	474,892
Other debtors	259,423	17,498	255,966	17,498
Amounts due from parent undertaking	3,013,779	1,065,140	3,013,779	1,065,140
Amounts due from fellow subsidiary or other group undertakings	-	3,173	95,000	207,917
Prepayments and accrued income	5,163,789	4,047,582	5,050,948	4,047,582
	<u>9,177,278</u>	<u>5,670,653</u>	<u>9,155,980</u>	<u>5,813,029</u>
Due after one year				
Deferred tax asset	16,700	18,004	16,700	18,004
	<u>9,193,978</u>	<u>5,688,657</u>	<u>9,172,680</u>	<u>5,831,033</u>
The deferred tax asset represents.				
Capital allowances	12,965	13,757	12,965	13,757
Other timing differences	3,735	4,247	3,735	4,247
	<u>16,700</u>	<u>18,004</u>	<u>16,700</u>	<u>18,004</u>

13. CURRENT ASSETS: INVESTMENTS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Liquid funds as at 1 January	-	7,778,952	-	7,778,952
Investments in / (disposal of) UK Treasury Stock	5,916,034	(7,778,952)	5,916,034	(7,778,952)
	<u>5,916,034</u>	<u>-</u>	<u>5,916,034</u>	<u>-</u>
Liquid funds as at 31 December	<u>5,916,034</u>	<u>-</u>	<u>5,916,034</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	104,027	241,038	104,027	240,913
Other creditors	108,212	81,153	108,212	81,153
Amount due to group undertaking	44,058	-	44,058	-
Taxation and social security	1,851,472	1,881,421	1,851,015	1,881,421
Corporation tax	1,874,142	912,107	1,874,142	911,654
Accruals and deferred income	3,241,613	3,738,383	3,224,800	3,724,442
Total creditors	<u>7,223,524</u>	<u>6,854,102</u>	<u>7,206,256</u>	<u>6,839,583</u>

15. CALLED UP SHARE CAPITAL

	Group and Company 2011 £	Group and Company 2010 £
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>

16. RESERVES

Group	Profit and loss account £
At 1 January 2011	7,617,936
Profit for the financial year	7,064,423
Dividend paid	<u>(3,000,000)</u>
At 31 December 2011	<u>11,682,359</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

16. RESERVES (continued)

Company	Profit and loss account £
At 1 January 2011	7,552,750
Profit for the financial year	7,061,840
Dividend paid	(3,000,000)
At 31 December 2011	<u>11,614,590</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Profit for the year	7,064,423	3,853,019	7,061,840	3,833,848
Dividend	(3,000,000)	(2,500,000)	(3,000,000)	(2,500,000)
Net increase in the year	<u>4,064,423</u>	<u>1,353,019</u>	<u>4,061,840</u>	<u>1,333,848</u>
Opening shareholder's funds as at 1 January	<u>10,117,936</u>	<u>8,764,917</u>	<u>10,052,750</u>	<u>8,718,902</u>
Closing shareholder's funds at 31 December	<u>14,182,359</u>	<u>10,117,936</u>	<u>14,114,590</u>	<u>10,052,750</u>

18. RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011 £ Group	2010 £ Group
Operating profit	9,696,123	5,315,925
Loss on disposal of fixed assets	-	1,750
Depreciation	48,066	71,343
Impairment losses of fixed assets	12,139	-
Change in debtors	(3,506,625)	(932,163)
Change in creditors	(592,634)	(287,273)
Net cash inflow from operating activities	<u>5,657,069</u>	<u>4,169,582</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

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

	2011 £ Group	2010 £ Group
Net funds as at 1 January 2011	11,174,193	2,589,487
(Decrease)/increase in cash in the year	(4,954,571)	8,584,706
	<u>6,219,622</u>	<u>11,174,193</u>
Net funds as at 31 December 2011	<u>6,219,622</u>	<u>11,174,193</u>

20. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme with assets held in a separately administered pension fund for each employee. Contributions totalling £14,940 (2010 £15,730) were payable to the fund at year end. Contributions charged to the consolidated profit and loss account for the year were £88,350 (2010 £99,879).

21. CAPITAL AND OTHER COMMITMENTS

As at 31 December 2011, the Group had the following annual commitments under non cancellable operating leases:

	2011 £	2010 £
Land and buildings		
Expiring within:		
One year	28,433	-
One and two years	388,338	-
Two and five years	-	388,048
	<u>416,771</u>	<u>388,048</u>

In respect of the London office, a rent review date clause exists for 24 June 2012 and the expiry of the lease term is 24th September 2013.

22. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking and controlling party is Grantham, Mayo, Van Otterloo & Co. LLC, a Limited Liability Company organised under the laws of Massachusetts USA, which is the parent of both the smallest and largest group for which group accounts are drawn up.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2011

23. RELATED PARTY TRANSACTIONS

During the year, the Group received net transfer pricing income totalling £3,658,176 (2010 £2,799,456) from Grantham, Mayo, Van Otterloo & Co LLC. Exceptional income of £1,940,214 has also been recognised in 2011. The Group was charged £444,058 (2010 £3,173) by its fellow subsidiary undertaking, GMO Switzerland GmbH in respect of employee secondment.

	2011 £ Group	2010 £ Group
Net revenue sharing	1,855,683	23,867
Management re-charges	6,775,186	7,400,164
Royalty expenses	(2,659,032)	(2,273,247)
Parent company cost allocation	(2,313,661)	(2,351,328)
Exceptional income – net revenue sharing less royalty expenses	1,940,214	-
	<hr/>	<hr/>
Net transfer pricing income	5,598,390	2,799,456
	<hr/>	<hr/>

As at 31 December 2011, a net amount of £3,013,779 (2010 £1,065,140) was due from Grantham, Mayo, Van Otterloo & Co LLC in respect of transfer pricing charges and other re-charges and £44,058 (2010 £3,173) was payable to GMO Switzerland GmbH in respect of secondment re-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 and from GMO Unit Trust, to which GMO Investment Management Company (Ireland) has been appointed the investment manager. U Mueller was a Director of GMO Funds Plc and GMO Unit Trust until his resignation on 2nd November 2011. Fees receivable in the year from GMO Funds Plc and GMO Unit Trust amounted to £3,946,611 (2010 £4,630,848). At the balance sheet date, the Group was owed £767,402 net (2010 £389,343 net) by these funds.

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.