

Report & Financial Statements

For the year ended 31 December 2009

GMO UK Limited

Company Number: 4658801



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DIRECTORS' REPORT**For the year ended 31 December 2009**

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 2009

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.

As shown in the consolidated profit and loss account, the Group’s turnover has decreased by 19%, however due to a 24% decrease in expenses, a 79% increase in GMO LLC management re-charges and the restatement of the 2008 unrealised gains on investments, the Group’s profit after tax has increased by 57%. The total amount of investments in gilts and cash balances at year end has increased by 33%.

Following the share capital reduction exercise carried out by GMO Woolley Limited in the year to 31 December 2008, an application has been made to the registrar of companies for the company to be struck off and dissolved. The application was made on 1 December 2009 and the procedure is expected to be completed in 2010.

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 2009 were

Assets Under Management (Serviced by GMO UK Group) as at 31 December 2009 -

Segregated	£3.86 bn (2008: £3.55 bn)
Pooled	£2.18 bn (2008: £1.65 bn)
Total	£6.04 bn (2008: £5.20 bn)

Change in Assets Under Management (Serviced by GMO UK Group) from 31 December 2008 to 31 December 2009 -

Segregated	+9% (2008: -29%)
Pooled	+32% (2008: -1%)
Total	+16% (2008: -22%)

New business won by GMO UK Limited in 2009 (Managed by GMO group companies globally) -

Segregated	£0.04 bn (2008: £0.09 bn)
Pooled	£0.27 bn (2008: £0.11 bn)
Total	£0.31 bn (2008: £0.20 bn)

DIRECTORS' REPORT (continued)
For the year ended 31 December 2009**DIVIDENDS**

No dividends (2008: £3,000,000) were paid to Grantham, Mayo, Van Otterloo & Co. LLC during the year. On 24 March 2010, the Directors approved the payment of a dividend to Grantham, Mayo, Van Otterloo & Co. LLC of £2.5m. At that date, the equity shareholder's funds are reduced 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 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 Group 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 Group's success is to a large extent based on its employees. The Directors strive to ensure that the Group's key employees are incentivised to stay with the Group 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 investments in gilts and its cash balances. The Group's principal financial assets are UK Treasury Stock, bank balances and trade and other receivables. These represent the Group's maximum exposure to credit risk in relation to financial assets. This risk is closely monitored by the finance function. The Group is exposed to some currency risk from the conversion of the fees received in currency but this does not materially impact the results.

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 £30,750 (2008: £60,650).

DIRECTORS' REPORT (continued)
For the year ended 31 December 2009**DIRECTORS**

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

P J Bostock (Resigned 30 June 2009)

S Eston (Resigned 9 June 2009)

R J G Grantham (Resigned 9 June 2009)

S Harris

B Hilsabeck

J B Kittredge (Appointed 9 June 2009)

M Mayer (Appointed and resigned 9 October 2009)

U Mueller

A Orus (Resigned 13 January 2009)

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare 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. In preparing these financial statements, 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them 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' REPORT (continued)
For the year ended 31 December 2009

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

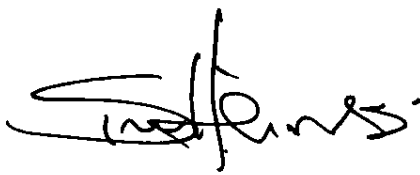
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting



Simon Harris
Director
24 March 2010
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 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, 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 Auditors

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 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 www.frc.org.uk/apb/scope/UKNP.

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 2009 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

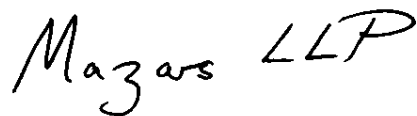
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' 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

A handwritten signature in black ink that reads "Mazars LLP". The signature is written in a cursive, flowing style.

Mazars LLP
Chartered Accountants (Statutory auditor)
Steven Brice (Senior statutory auditor)
Tower Bridge House
St Katharine's Way
London E1W 1DD

24 March 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2009

	Notes	2009 £	2008 as restated £
TURNOVER	3	15,593,047	19,278,569
Administrative expenses		(13,513,942)	(17,859,992)
Other operating income	4	1,627,246	908,218
OPERATING PROFIT	4	3,706,351	2,326,795
Other interest receivable and similar income	5	217,071	299,317
Amounts written off investments		(12,189)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,911,233	2,626,112
Taxation	8	(1,012,685)	(778,807)
PROFIT FOR THE FINANCIAL YEAR	16	2,898,548	1,847,305

All activities relate to continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2009

	Notes	2009 £	2008 as restated £
PROFIT FOR THE FINANCIAL YEAR		2,898,548	1,847,305
Unrealised (loss)/gain on investments	16	(114,492)	114,492
TOTAL RECOGNISED GAINS FOR THE YEAR		2,784,056	1,961,797
Prior year adjustment	16	32,630	
TOTAL GAINS AND LOSSES RECOGNISED SINCE THE LAST ANNUAL REPORT		2,816,686	

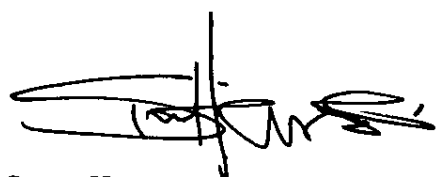
CONSOLIDATED BALANCE SHEET
as at 31 December 2009

		2009	2008
	Notes	£	as restated £
FIXED ASSETS			
Tangible assets	10	138,847	216,104
CURRENT ASSETS			
Debtors	12	4,760,991	7,205,508
Investments	13	7,778,952	5,909,711
Cash at bank and in hand	19	2,589,487	1,942,740
		<u>15,129,430</u>	<u>15,057,959</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(6,503,360)	(9,293,202)
NET CURRENT ASSETS		<u>8,626,070</u>	<u>5,764,757</u>
NET ASSETS		<u>8,764,917</u>	<u>5,980,861</u>
CAPITAL AND RESERVES			
Share capital	15	2,500,000	2,500,000
Revaluation reserve	16	-	114,492
Profit and loss account	16	6,264,917	3,366,369
EQUITY SHAREHOLDER'S FUNDS	17	<u>8,764,917</u>	<u>5,980,861</u>

COMPANY BALANCE SHEET
as at 31 December 2009

	Notes	2009 £	2008 as restated £
FIXED ASSETS			
Tangible assets	10	138,847	216,104
Investments	11	84,153	84,153
		<u>223,000</u>	<u>300,257</u>
CURRENT ASSETS			
Debtors	12	5,206,720	7,558,936
Investments	13	7,778,952	5,909,711
Cash at bank and in hand		1,999,076	1,440,242
		<u>14,984,748</u>	<u>14,908,889</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(6,488,846)	(9,265,571)
NET CURRENT ASSETS		<u>8,495,902</u>	<u>5,643,318</u>
NET ASSETS		<u>8,718,902</u>	<u>5,943,575</u>
CAPITAL AND RESERVES			
Share capital	15	2,500,000	2,500,000
Revaluation reserve	16	-	114,492
Profit and loss account	16	6,218,902	3,329,083
EQUITY SHAREHOLDER'S FUNDS	17	<u>8,718,902</u>	<u>5,943,575</u>

Approved and authorised by the Board of Directors on 24 March 2010
and signed on their behalf by



Simon Harris
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2009

	Notes	2009 £	2008 as restated £
Net cash inflow from operating activities	18	3,208,453	2,506,146
Returns on investments and servicing of finance			
- Interest received		234,425	338,902
Taxation			
- Tax paid		(752,473)	(1,767,893)
Capital expenditure			
- Payments to acquire tangible fixed assets	10	(30,754)	(106,924)
- Receipts from sale of tangible fixed assets		372	-
Equity dividends paid	9	-	(3,000,000)
		<hr/>	<hr/>
Net cash inflow/(outflow) before use of liquid resources and financing		2,660,023	(2,029,769)
Management of liquid resources			
- Purchase of UK Treasury Stock		(8,980,505)	(9,449,641)
- Sale of UK Treasury Stock		6,967,229	3,614,837
		<hr/>	<hr/>
Increase/(decrease) in cash in the year	19	<u>646,747</u>	<u>(7,864,573)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1 ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention as modified to include the revaluation of current asset investments. The financial statements have been prepared on a going concern basis and in accordance with the Companies Act 2006 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 2009.

The profits and losses of GMO Investment Management Company (Ireland) Limited is consolidated from the date of acquisition 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.

(b) Accounting convention

These 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 fund performance of the clients' assets 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

(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%

(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 fund. 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 £2,889,819 (2008 as restated £3,885,776).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

3 TURNOVER

	2009	2008
Turnover	£	£
United Kingdom	13,542,649	16,288,394
Europe & Rest of World	2,050,398	2,990,175
	<u>15,593,047</u>	<u>19,278,569</u>

4 OPERATING PROFIT

	2009	2008
	£	£
Operating profit is stated after charging / (crediting)		
Other operating income - management re-charges	(1,627,246)	(908,218)
Staff costs (see note 6)	11,632,076	16,013,042
Depreciation of tangible fixed assets	104,875	108,859
Loss on disposal of fixed assets	2,764	2,878
Loss/(profit) from foreign currency conversion	91,768	(128,359)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	34,000	34,000
Fees payable to the Company's auditors and its associates for other services		
- The audit of the Company's subsidiaries pursuant to legislation	3,506	5,559
- Tax services	4,000	4,000
Operating lease charges:		
- Property	<u>379,289</u>	<u>365,897</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	£	as restated £
Bank and other interest receivable	<u>217,071</u>	<u>299,317</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

6 EMPLOYEE INFORMATION

	2009	2008
	£	£
Wages and salaries	10,276,778	14,128,984
Social security costs	1,277,112	1,799,912
Pension costs	78,186	84,146
	<u>11,632,076</u>	<u>16,013,042</u>

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

	2009	2008
	No.	No.
By activity		
Management and administration	16	17
Investment professionals	12	10
	<u>28</u>	<u>27</u>

7 DIRECTORS' EMOLUMENTS

	2009	2008
	£	£
Emoluments		
Aggregate emoluments	3,290,002	6,996,962
Total emoluments of the highest paid Director	<u>1,904,656</u>	<u>3,073,196</u>
Pension Contributions		
Aggregate contributions made by the Company during the year to Directors' defined contribution pension schemes	-	10,938
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 (2008 One)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

8 TAXATION ON THE PROFIT FOR THE YEAR

	2009	2008
	£	as restated £
(a) Tax on the profit of ordinary activities comprised:		
Current tax		
UK corporation tax on profits of the period	1,104,190	707,132
Foreign tax	1,277	3,912
Adjustment in respect of previous periods	(84,901)	71,700
	<hr/>	<hr/>
Current tax charge for the year	1,020,566	782,744
Deferred tax		
Origination and reversal of timing differences	(7,881)	(3,937)
	<hr/>	<hr/>
Total deferred tax	(7,881)	(3,937)
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	<u>1,012,685</u>	<u>778,807</u>
	<hr/>	<hr/>
(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 28 % (2008 28.5%) The differences are explained below		
Profit on ordinary activities before tax	3,911,233	2,626,112
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008 28.5%)	1,095,145	748,442
<i>Effects of</i>		
Expenses not deductible for tax purposes	3,596	32,064
Depreciation in excess of capital allowances	7,294	1,909
Other temporary differences	957	(66,580)
Rate differences	(1,525)	(4,791)
Prior year (over) / under provision	(84,901)	71,700
	<hr/>	<hr/>
Current tax charge for the year	<u>1,020,566</u>	<u>782,744</u>
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

8 TAXATION ON THE PROFIT FOR THE YEAR (continued)

	2009 £	2008 £
(c) The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 12)	22,501	14,620
	<u>22,501</u>	<u>14,620</u>
Total recognised deferred tax asset	<u>22,501</u>	<u>14,620</u>
Accelerated capital allowances	18,060	11,136
Other timing differences	4,441	3,484
	<u>22,501</u>	<u>14,620</u>
Total recognised deferred tax assets	<u>22,501</u>	<u>14,620</u>
Deferred tax asset at the start of the year	14,620	10,683
Deferred tax credit in profit and loss account for the year	7,881	3,937
	<u>22,501</u>	<u>14,620</u>
Deferred tax asset at the end of the year	<u>22,501</u>	<u>14,620</u>

9 DIVIDEND

	2009 £	2008 £
No dividends were paid (2008 dividend paid on 2,500,000 ordinary shares - £1 20 per share)	-	3,000,000
	<u>-</u>	<u>3,000,000</u>

On 24 March 2010, the Directors approved the payment of a dividend to Grantham, Mayo, Van Otterloo & Co LLC of £1 per ordinary share. The total dividend of £2.5m, in accordance with FRS 21, has not been included as a liability in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

10 FIXED ASSETS – TANGIBLE ASSETS

GROUP & COMPANY	Leasehold improvements £	Office equipment £	Furniture and fittings £	Total £
COST				
As at 1 January 2009	37,445	351,487	173,528	562,460
Additions	-	24,309	6,445	30,754
Disposals	-	(27,182)	-	(27,182)
As at 31 December 2009	37,445	348,614	179,973	566,032
DEPRECIATION				
As at 1 January 2009	28,429	186,385	131,542	346,356
Charge for the year	1,898	66,681	36,296	104,875
Disposals	-	(24,046)	-	(24,046)
As at 31 December 2009	30,327	229,020	167,838	427,185
NET BOOK VALUE				
As at 31 December 2009	7,118	119,594	12,135	138,847
As at 31 December 2008	9,016	165,102	41,986	216,104

11 FIXED ASSET INVESTMENTS – GROUP UNDERTAKINGS

	Company 2009 £
Investments in group undertakings	
At 1 January and 31 December 2009	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 Woolley Limited*	United Kingdom	Ordinary	100%	Dormant
GMO Investment Management Company (Ireland) Limited	Ireland	Ordinary	100%	Investment management

*An application has been made to the registrar of companies for GMO Woolley Limited to be struck off

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

12. DEBTORS

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Due within one year				
Trade debtors	433,338	1,112,227	362,488	1,052,600
Other debtors	13,410	123,713	13,410	123,713
Amounts due from group undertakings	496,020	-	1,012,600	413,194
Prepayments and accrued income	3,795,722	5,954,948	3,795,721	5,954,809
	<u>4,738,490</u>	<u>7,190,888</u>	<u>5,184,219</u>	<u>7,544,316</u>
Due after one year				
Deferred tax asset	22,501	14,620	22,501	14,620
	<u>4,760,991</u>	<u>7,205,508</u>	<u>5,206,720</u>	<u>7,558,936</u>
Total debtors	<u>4,760,991</u>	<u>7,205,508</u>	<u>5,206,720</u>	<u>7,558,936</u>
The deferred tax asset represents				
Capital allowances	18,060	11,136	18,060	11,136
Other timing differences	4,441	3,484	4,441	3,484
	<u>22,501</u>	<u>14,620</u>	<u>22,501</u>	<u>14,620</u>

13. CURRENT ASSETS: INVESTMENTS

	Group		Company	
	2009	2008	2009	2008
	£	£	£	£
Liquid funds as at 1 January	5,909,711	-	5,909,711	-
Investments in UK Treasury Stock	1,869,241	5,909,711	1,869,241	5,909,711
	<u>7,778,952</u>	<u>5,909,711</u>	<u>7,778,952</u>	<u>5,909,711</u>
Liquid funds as at 31 December	<u>7,778,952</u>	<u>5,909,711</u>	<u>7,778,952</u>	<u>5,909,711</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2009	2008	2009	2008
		as restated		as restated
	£	£	£	£
Trade creditors	204,421	73,554	204,421	73,554
Other creditors	15,862	12,444	15,862	12,444
Amount due to group undertaking	-	799,577	1	799,577
Taxation and social security	1,248,319	1,689,496	1,248,319	1,689,496
Corporation tax	274,092	5,999	278,396	6,953
Accruals and deferred income	4,760,666	6,712,132	4,741,847	6,683,547
	<u>6,503,360</u>	<u>9,293,202</u>	<u>6,488,846</u>	<u>9,265,571</u>
Total creditors	<u>6,503,360</u>	<u>9,293,202</u>	<u>6,488,846</u>	<u>9,265,571</u>

15 CALLED UP SHARE CAPITAL

	Group and Company	Group and Company
	2009	2008
	£	£
Authorised		
2,500,000 ordinary shares of £1 each	2,500,000	2,500,000
	<u>2,500,000</u>	<u>2,500,000</u>
Allotted and fully paid		
2,500,000 ordinary shares of £1 each	2,500,000	2,500,000
	<u>2,500,000</u>	<u>2,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

16 RESERVES

Group	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2009			
-as previously reported	-	3,448,231	3,448,231
-prior year adjustment (see below)	114,492	(81,862)	32,630
	<hr/>	<hr/>	<hr/>
As restated	114,492	3,366,369	3,480,861
Profit for the financial year	-	2,898,548	2,898,548
Net deficit arising on revaluations of investments	(114,492)	-	(114,492)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Company	Revaluation reserve £	Profit and loss account £	Total £
At 1 January 2009			
-as previously reported	-	3,410,945	3,410,945
-prior year adjustment (see below)	114,492	(81,862)	32,630
	<hr/>	<hr/>	<hr/>
As restated	114,492	3,329,083	3,443,575
Profit for the financial year	-	2,889,819	2,889,819
Net deficit arising on revaluations of investments	(114,492)	-	(114,492)
	<hr/>	<hr/>	<hr/>
At 31 December 2009	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Following a review of the policy of recognition of unrealised gains and losses on the investments in UK Treasury Stock, it is considered that under the alternative accounting rules of the Companies Act 2006, their recognition through a revaluation reserve results in a fairer presentation

The impact of the above is to reduce the Group's pre-tax profit in 2008 by £114,492, being the unrealised gain on the investments in that year, and to increase the Group's profit in 2009 by the same amount. The associated tax effect is to reduce the Group's corporation tax liability in 2008 by £32,630 and the Group's net assets are therefore £32,630 higher in 2008 than previously reported

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Group		Company	
	2009	as restated	2009	as restated
	£	2008	£	2008
		£		£
Profit for the year	2,898,548	1,847,305	2,889,819	3,885,776
Dividend	-	(3,000,000)	-	(3,000,000)
Merger reserve transfer	-	(360,000)	-	-
Unrealised (loss)/gain on investments	(114,492)	114,492	(114,492)	114,492
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase / (decrease) in the year	2,784,056	(1,398,203)	2,775,327	1,000,268
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Opening shareholder's funds as at 1 January				
-as previously reported	5,948,231	7,379,064	5,910,945	4,943,307
-prior year adjustment (see Note 16)	32,630	-	32,630	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As restated	5,980,861	7,379,064	5,943,575	4,943,307
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing shareholder's funds at 31 December	8,764,917	5,980,861	8,718,902	5,943,575
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	2009	as restated
	£	2008
	Group	Group
		£
Operating profit	3,706,351	2,326,795
Loss on disposal of fixed assets	2,764	2,878
Depreciation	104,875	108,859
Change in debtors	2,452,398	151,084
Change in creditors	(3,057,935)	(83,470)
	<u> </u>	<u> </u>
Net cash inflow from operating activities	3,208,453	2,506,146
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2009	2008
	£	£
	Group	Group
Net funds as at 1 January	1,942,740	9,807,313
Increase/(decrease) in cash in the year	646,747	(7,864,573)
	<hr/>	<hr/>
Net funds as at 31 December	<u>2,589,487</u>	<u>1,942,740</u>

20 PENSION COMMITMENTS

The Company operates a defined contribution pension scheme with assets held in a separately administered fund. Contributions totalling £15,862 (2008: £12,444) were payable to the fund at year end. Contributions charged to the consolidated profit and loss account for the year were £78,186 (2008: £84,145).

21 CAPITAL AND OTHER COMMITMENTS

As at 31 December 2009 the Group had the following annual commitments under non cancellable operating leases:

	2009	2008
	£	£
Land and buildings		
Expiring within		
Two and five years	<u>391,709</u>	<u>383,150</u>

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

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. Grantham, Mayo, Van Otterloo & Co. LLC which is the parent of both the smallest and largest group for which group accounts are drawn up.

23 RELATED PARTY TRANSACTIONS

During the year, the Group received net transfer pricing income totalling £1,627,246 (2008: £908,218) from Grantham, Mayo, Van Otterloo & Co. LLC, and charged £8,495 (2008: £nil) to its fellow subsidiary undertaking, GMO Switzerland GmbH. As at 31 December 2009, a net amount of £487,525 was due from (2008: £799,577 due to) Grantham, Mayo, Van Otterloo & Co. LLC and

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

23 RELATED PARTY TRANSACTIONS (continued)

£8,495 (2008 £nil) was due from GMO Switzerland GmbH, in respect of transfer pricing charges and other 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 U Mueller was a Director of GMO Funds Plc throughout the year Fees receivable in the year amounted to £3,819,010 (2008 £3,970,579) At the balance sheet date, the Group was owed £433,081 net (2008 £133,974 net)

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