

SEI Investments (Europe) Limited

Annual Report and Financial Statements

for the year ended 31 December 2007

Registered number: 3765319

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SEI Investments (Europe) Limited

Directors' report for the year ended 31 December 2007

The directors present their annual report on the affairs of SEI Investments (Europe) Limited ("the Company"), together with the accounts and auditors' report, for the year ended 31 December 2007

Principal activities and review of business

The principal activity of the Company is asset management services operating through the Company's London offices. The directors do not anticipate any change in the nature of the activity going forward.

The results and financial position at the period end were considered satisfactory to the directors.

Business review

SEI Investments (Europe) Limited continued to capitalise on three major trends in the global marketplace: privatisation of pension funds, increased wealth accumulation among affluent investors and the elimination of barriers to global investing. Using the same asset management disciplines that have benefited U.S. clients, the Company provides investment management programs tailored to the needs of institutional and affluent individual investors. The Company has its main office located in London. It has sales offices located in Germany, Netherlands and United Arab Emirates. Both the level of business and the year end financial position were satisfactory and the directors expect an increased level of business activity in the future.

During the year, the Company issued 2,500,000 (2006: 2,810,410) ordinary shares at £1 each and the Company remains wholly controlled by the parent company.

The directors of the Company have also received a letter of support from SEI Investments Company, who controls the Company, which provides that SEI Investments Company will continue to ensure that the Company has sufficient financial resources for the 12 month period subsequent to the date of approval of these financial statements.

Risk Factors

The directors believe that the risk and uncertainties described below are those that impose the greatest threat to the sustainability of the Company's business. However, there are other risks and uncertainties that exist that may be unknown or, in the present opinion of management, do not currently pose a material risk of harm to the Company. The risk and uncertainties facing the Company's business, including those described below, could materially adversely affect the Company's business, results of operations, financial condition and liquidity.

The Company's operations expose it to a variety of financial risks that include foreign exchange risk, operational risk and data security risks.

Foreign exchange risk – Adverse movements in currency exchange may negatively affect the operating results, liquidity and financial condition of the Company. The Company principally transacts its business in Great British Pounds and US Dollars. The Company's revenue accounts for less than five percent of SEI Investments Company (the Parent) total revenue. Due to this reason, the Company does not hedge against foreign currency risk.

SEI Investments (Europe) Limited

Directors' report for the year ended 31 December 2007 (continued)

Operational risk – Operational risk generally refers to the risk of loss resulting from operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in operating systems, business disruptions and inadequacies or breaches in internal control processes. The Company is reliant on the ability of its employees and systems to process large volumes of transactions often within short time frames. In the event of a breakdown or improper operation of systems, human error or improper action by employees, the Company could suffer financial loss, regulatory sanctions or damage to its reputation. In order to mitigate and control operational risk, the Company continues to enhance its policies and procedures that are designated to identify and manage operational risk.

Data security risks – A failure to safeguard the integrity and confidentiality of client data from the infiltration by an unauthorized user that is either stored on or transmitted between the Company's proprietary systems or to other third party service provider systems, may lead to modifications or theft of critical and sensitive data pertaining to its clients. The costs incurred to correct client data and prevent further unauthorized access could be extensive.

Results and dividends

The audited accounts for the year ended 31 December 2007 are set out on pages 7 to 20. The profit for the year after taxation was £2,596,145 (2006: loss £2,564,247).

The directors did not recommend any dividend payments to be made for the year (2006: nil).

Key Performance Indicators (KPI's)

Given the straight forward nature of the business, the directors are of the opinion that analysis using any KPI's is not necessary for an understanding of the development, performance or position of the business.

Prior year adjustment

Effective in 2006, the company adopted the provisions of FRS 20, "Share-Based Payments," which requires the recognition of share-based compensation scheme in operation for employees of the company. As a result, the charges against the Profit and loss account were 2006: £890,657 and £875,886 against Retained loss for the year ended 31 December 2006.

Directors

The directors who served during the year and up to the date of this report were as follows:

Patrick Disney
William Doran
Lydia Gavalis

Robert Neshor
Joseph Ujobai

SEI Investments (Europe) Limited

Directors' report for the year ended 31 December 2007 (continued)

Directors' interests

The directors who held office at 31 December 2007 had no interests in the shares of SEI Investments (Europe) Limited. The Company is a wholly-owned subsidiary of SEI Investments Company. The following is a list of directors that have share options in the ultimate parent company, SEI Investments Company. SEI Investments Company declared and paid a two-for-one stock split in 2007, effected in the form of a stock dividend. All per share information has been adjusted to reflect the stock split.

Director	Number of share options 12/31/2006	Number of share options exercisable 12/31/2006	Number of share options granted during 2007	Number of share options exercised during 2007	Number of share options 12/31/2007	Number of share options exercisable 12/31/2007
Patrick Disney	322,000	232,000	12,000	-	334,000	247,000
William Doran	164,000	140,000	5,000	48,000	121,000	96,000
Joseph Ujobai	463,000	305,000	105,000	17,000	551,000	313,000
Robert Nesher	100,000	73,000	5,000	-	105,000	77,000
Lydia Gavalis	64,000	25,000	12,500	-	76,500	32,000

The following is a list of directors that have ordinary shares in the ultimate parent company, SEI Investments Company.

Director	2007	2006
Patrick Disney	15,000	13,776
William Doran	907,067	864,642
Robert Nesher	280,000	320,000
Joseph Ujobai	17,380	1,138
Lydia Gavalis	103	-

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statement in accordance with applicable laws 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). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

SEI Investments (Europe) Limited

Directors' report for the year ended 31 December 2007 (continued)

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

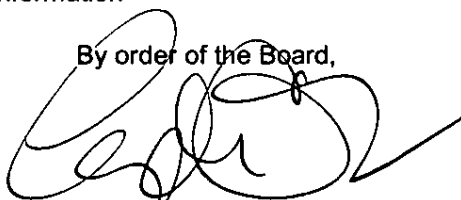
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

The directors confirm that so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and that each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

SEI Investments (Europe) Limited
4th Floor, Time and Life Building
1 Bruton Street
London
W1J 6TL

By order of the Board,



Lydia Cavalis
Director
24 April 2008

SEI Investments (Europe) Limited

Independent auditors' report to the members of SEI Investments (Europe) Limited

We have audited the financial statements of SEI Investments (Europe) Limited for the year ended 31 December 2007 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements 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 judgments 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.

SEI Investments (Europe) Limited

Independent auditors' report to the members of SEI Investments (Europe) 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 affairs as at 31 December 2007 and of its 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 Directors' report is consistent with the financial statements



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

28 April 2008

SEI Investments (Europe) Limited

Profit and loss account

	Notes	Year ended 31 Dec 07 £	Year ended 31 Dec 06 £
Turnover	2	32,304,175	26,549,612
Operating expenses		<u>(30,299,124)</u>	<u>(29,502,043)</u>
Operating profit/(loss)	3	2,005,051	(2,952,431)
Interest receivable and similar income	4	606,894	539,517
Interest payable	5	<u>-</u>	<u>(133,287)</u>
Profit/(Loss) on ordinary activities before taxation		2,611,945	(2,546,201)
Tax on profit/(loss) on ordinary activities	6	<u>(15,800)</u>	<u>(18,046)</u>
Profit/(Loss) for the financial year		<u>2,596,145</u>	<u>(2,564,247)</u>

All activities derive from continuing operations

There is no material difference between the loss on ordinary activities before tax and the loss for the year stated above and their historical cost equivalents

Statement of total recognised gains and losses

	Notes	Year ended 31 Dec 07 £	Year ended 31 Dec 06 £
Profit/(Loss) for the financial year	14	<u>2,596,145</u>	<u>(2,564,247)</u>
Total recognised profits/(losses) in the period		2,596,145	(2,564,247)
Prior year adjustment	20	<u>-</u>	<u>(875,886)</u>
Total recognised Profits/(losses) since last annual report		<u>2,596,145</u>	<u>(3,440,133)</u>

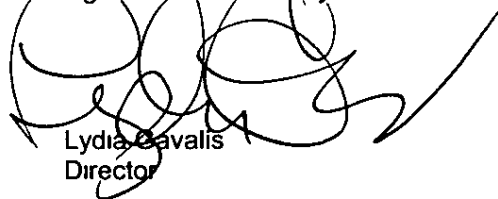
The accompanying notes on pages 9 to 20 are an integral part of these financial statements

SEI Investments (Europe) Limited

Balance sheet as at 31 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Tangible assets	9	<u>393,032</u>	<u>514,397</u>
Current assets			
Debtors	10	11,355,611	9,179,905
Cash and cash equivalents		9,718,476	13,605,844
Restricted cash	11	<u>125,818</u>	<u>127,655</u>
		21,199,905	22,913,404
Creditors: Amounts falling due within one year	12	<u>(9,108,686)</u>	<u>(16,039,695)</u>
Net assets		<u>12,484,251</u>	<u>7,388,106</u>
Capital and reserves			
Called-up share capital	13	35,310,410	32,810,410
Profit and loss account	14	<u>(22,826,159)</u>	<u>(25,422,304)</u>
Total shareholders' funds	14	<u>12,484,251</u>	<u>7,388,106</u>

The accounts on pages 7 to 20 were approved by the board of directors on 24 April 2008 and were signed on its behalf by



Lydia Cavalis
Director

The accompanying notes on pages 9 to 20 are an integral part of these financial statements.

SEI Investments (Europe) Limited

Notes to the financial statements for the year ended 31 December 2007

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior year.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement afforded by FRS 1 (revised 1996) because it is a wholly-owned subsidiary of SEI Investments Company which prepares consolidated accounts which are publicly available.

Turnover

Turnover is recognised on an accrual basis.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment	3 years
Office furniture	5 years
Leasehold improvements	10 years

Cash and cash equivalents

The Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Deferred taxation

The Company applies Financial Reporting Standard 19 'Deferred tax' (FRS 19) to account for deferred taxation. The Standard requires full provision to be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. The additional disclosures required by FRS 19 are provided in Note 6 to the Financial Statements.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

A deferred tax asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

SEI Investments (Europe) Limited

Share Options

The SEI Investments Company operates a share option scheme (1998 Equity Compensation Plan and 2007 Equity Compensation Plan) to its employees where employees of the company can be awarded shares in SEI Investments Company (the ultimate parent company) in accordance with the share option scheme. Under FRS 20, this arrangement is accounted for as an equity settled, share-based compensation scheme for the employees of the company. In accordance with FRS 20, it is necessary to recognise the award of shares as an expense of the company. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each balance sheet date, a revision is made to the estimate of the number of shares that are expected to vest. The impact of the revision, if any, is recognised in the income statement, with a corresponding adjustment to liability.

Pension costs and other post retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the year to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter year is used.

SEI Investments (Europe) Limited

2. Turnover

Turnover represents investment advisory services and is recognised on an accrual basis

	2007 £	2006 £
Fees for advisory services	<u>32,304,175</u>	<u>26,549,612</u>

In 2007 and 2006, respectively, the Company derived approximately 36% and 28% of its revenues from a single client. As of 31 December 2007 and 2006, the Company had outstanding receivables from this relationship of £2,506,032 and £1,742,199, respectively

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging

	2007 £	2006 £
Operating lease charges	573,928	672,541
Depreciation	176,920	218,594
Exchange loss on foreign currency transactions	138,612	701,460
Change in allowance for doubtful accounts	2,597	180,882
Auditors remuneration for audit services	55,000	54,523
Auditors remuneration for taxation services	-	45,282

4. Interest receivable and similar income

	2007 £	2006 £
Interest receivable on bank balances and restricted cash	473,607	539,517
Interest payable to parent accrued in 2006 and waived in 2007	<u>133,287</u>	<u>-</u>
	<u>606,894</u>	<u>539,517</u>

5. Interest payable

	2007 £	2006 £
Interest payable on loan from parent	<u>-</u>	<u>133,287</u>

In 2007, the parent company waived all interest charges for 2007. The parent company also applied all interest payments during 2006 against the principal balance outstanding. The remaining principal balance on the loan was paid in 2007. The Company recognized a gain of £133,287 and is reflected in Interest receivable and similar income (Note 4)

SEI Investments (Europe) Limited

6. Tax on profit/(loss) on ordinary activities

a Tax on profit/(loss) on ordinary activities comprised.

	2007 £	2006 £
UK Corporation tax on profits/(losses) for period	-	-
Overseas taxes	15,800	18,046
Tax on profit/(loss) on ordinary activities	15,800	18,046

The tax assessed for the period is lower (2006 higher) than the standard rate of corporation tax in the UK 30% (2006. 30%) The differences are explained below

b Factors affecting tax charge for the year

	2007 £	2006 £
Profit/(Loss) on ordinary activities before taxation	2,611,945	(2,546,201)
Profit/(Loss) on ordinary activities multiplied by the UK standard corporation tax rate of 30% (2006 30%)	783,584	(763,860)
Effects of		
Losses carried forward from prior year	(8,348,099)	(7,662,699)
Depreciation	57,685	70,387
Prior year provision to tax return adjustment	55,912	(303,128)
Permanent differences	356,034	311,201
Tax losses carried forward	7,094,884	8,348,099
UK current tax charge for the year	-	-
Overseas taxes	15,800	18,046
Current tax charge for the year	15,800	18,046

c Factors that may affect future tax charges

The standard rate of corporation tax in the UK changes to 28% with effect from 1 April 2008 Accordingly, the unrecognised deferred tax asset have been measured at 28% (2006 30%)

As of 31 December 2007 there is an unrecognised deferred tax asset from net operating loss, measured at the standard rate of 28% of £6,621,892 (2006 £8,348,099) and book tax difference on depreciation of 28% of £239,178 (2006 £302,909) These deferred tax assets relate to the current year and prior year unutilised expenses It is considered uncertain when there will be a liability in the future against which the deferred tax asset can be offset Therefore, the tax asset has not been recognised

SEI Investments (Europe) Limited

7. Staff costs

The average number of employees (including executive directors) during the year was

	2007	2006
Investment Management	26	21
Sales	36	31
Administration	29	28
	<u>91</u>	<u>80</u>

Their aggregate remuneration comprised

	2007 £	2006 £
Wages and salaries	10,943,803	9,644,384
Social security costs	1,447,941	1,103,336
Other pension costs (Note 14)	429,669	620,976
	<u>12,821,413</u>	<u>11,368,696</u>

Included in Wages and salaries is share-based compensation cost of £1,105,213 (2006 £890,657) (See Note 16)

8. Directors' remuneration and transactions

Remuneration

The remuneration of the directors included in staff costs above was as follows

	2007 £	2006 £
Emoluments	890,062	1,045,822
Company contributions to money purchase pension schemes	-	10,174
	<u>890,062</u>	<u>1,055,996</u>

Pensions

The number of directors who were members of pension schemes during the year was 1 (2006 1)

SEI Investments (Europe) Limited

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director

	2007 £	2006 £
Emoluments	390,442	404,234
Company contributions to money purchase schemes	-	3,557
	<u>390,442</u>	<u>407,791</u>

9. Tangible fixed assets

	Computer equipment £	Software £	Office furniture £	Total £
Cost or valuation				
At 1 January 2007	498,297	17,571	568,167	1,084,035
Additions	50,938	4,617	-	55,555
Retirements	-	-	-	-
At 31 December 2007	<u>549,235</u>	<u>22,188</u>	<u>568,167</u>	<u>1,139,590</u>
Depreciation				
At 1 January 2007	321,291	14,514	233,833	569,638
Charge for the year	84,698	1,616	90,606	176,920
Retirements	-	-	-	-
At 31 December 2007	<u>405,989</u>	<u>16,130</u>	<u>324,439</u>	<u>746,558</u>
Net book value				
At 31 December 2006	<u>177,006</u>	<u>3,057</u>	<u>334,334</u>	<u>514,397</u>
At 31 December 2007	<u>143,246</u>	<u>6,058</u>	<u>243,728</u>	<u>393,032</u>

10. Debtors

	2007 £	2006 £
VAT receivable	113,803	91,285
Prepayments and accrued income	547,544	231,369
Trade debtors	<u>10,694,264</u>	<u>8,857,251</u>
	<u>11,355,611</u>	<u>9,179,905</u>

11. Restricted Cash

Restricted cash includes amounts held as collateral with a securities clearing firm

SEI Investments (Europe) Limited

12 Creditors: amounts falling due within one year

	2007 £	2006 £
Other taxation and social security	888,344	940,558
Interest bearing loan from parent	-	2,683,569
Amounts owed to the parent	2,536,951	5,233,139
Accruals and deferred income	5,683,391	7,182,429
	<u>9,108,686</u>	<u>16,039,695</u>

The Company had entered into a one-year promissory note agreement. The principal amount of the note was \$5,000,000 USD, bears interest at a rate of LIBOR plus 50 percent. The rate of interest on the note during 2006 was 5.04 percent. The note was renewed for an additional year on 1 January 2007. The Company paid the entire outstanding principal balance on the note in August 2007 without penalty. Additionally, the parent company waived all interest charges associated with the note and applied all interest payments received against the principal balance outstanding.

13. Called-up share capital

	2007 £	2006 £
<i>Authorised</i>		
100,000,000 ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
<i>Allotted, called-up and fully-paid</i>		
35,310,410 (2006 32,810,410) ordinary shares of £1 each	<u>35,310,410</u>	<u>32,810,410</u>

On 7 June 2007, the Company issued 2,500,000 shares of £1 each in exchange for forgiveness of intercompany debt to the parent for £2,500,000.

SEI Investments (Europe) Limited

14. Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit (Loss) for the year	2,596,145	(2,564,247)
Issue of ordinary share capital	2,500,000	2,810,410
Net addition to shareholders' funds	5,096,145	246,163
Opening shareholders' funds	7,388,106	7,141,943
Closing shareholders' funds	12,484,251	7,388,106

	Called up share capital £	Profit and loss Account £	Total equity shareholders Funds £
At 1 January 2006	32,810,410	(25,422,304)	7,388,106
Profit for the year	-	2,596,145	2,596,145
Issue of ordinary share capital	2,500,000	-	2,500,000
At 31 December 2007	35,310,410	(22,826,159)	12,484,251

15. Pension arrangements

The Company operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £429,669 (2006 £620,976)

16. Stock-based compensation

Following completion of eligibility requirements, the Company's employees are able to participate in a SEI employee stock purchase plan. The plan provides for offering of common stock to eligible employees at a price equal to 85% of the fair value at the end of the stock purchase period, as defined.

The Company's employees participate in the SEI stock option plans. Stock options are granted with an exercise price equal to the fair market value of SEI's common stock on the date of the grant and expire ten years from the date of grant. Stock options granted have performance vesting conditions based on the attainment of certain earnings per share targets established at the date of the grant. Earnings per share targets are calculated exclusively of stock-based compensation expense net of tax. The first performance condition determines vesting of 50 percent of the options, and a second performance condition determines the vesting of the remaining 50 percent of the options. The performance conditions are measured annually on December 31. Options granted prior to 2006 can also vest in their entirety seven years from the date of grant.

SEI Investments (Europe) Limited

SEI uses the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock options on the date of grant using an option-pricing model is affected by the price of the Company's common stock as well as other variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock exercise behaviors, risk-free interest rate and expected dividends. SEI uses historical data to estimate the variables used in the option-pricing model. SEI estimates forfeitures at the time of grant and revises those estimates in subsequent periods if actual forfeitures differ from the initial estimates. SEI uses historical data to estimate pre-vesting forfeitures and record stock-based compensation expense only for those awards that are expected to vest. Stock-based compensation is amortized over the requisite service periods of the awards, which are generally the vesting periods. The amount of stock-based compensation expense that is recognized in a given period is dependent upon management's estimate of when the earnings per share targets are expected to be achieved. If this estimate proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed.

SEI's common stock is traded in the United States of America, therefore all values of the share prices quoted below are stated in the currency of the stock traded. During 2007, SEI's declared and paid a two for one stock dividend. All per share figures for 2006 have been restated to reflect the stock dividend.

SEI Investments Company declared and paid a two-for-one stock split in 2007, effected in the form of a stock dividend. All share and per share information has been adjusted to reflect the stock split.

The weighted average fair values of SEI's stock options granted during 2007 and 2006 were \$14.16 and \$12.30, respectively, using the following assumptions:

	2007	2006
Expected term (in years)	7.52	7.20
Expected volatility	35.56 %	31.67 %
Expected dividend yield	4.3 %	4.1 %
Risk-free interest rate	4.24 %	4.64 %

SEI Investments (Europe) Limited

The company recognized £1,105,213 (\$2,201,903) of stock-based compensation expense in 2007 and £890,657 (\$1,744,263) in 2006, which is reflected in the Profit and loss account for the respective years. As of 31 December 2007, there was approximately £2,730,838 (\$5,426,176) converted at the GBP – USD spot rate of 1.987 as of 31 December 2007, of unrecognised compensation cost remaining, adjusted for estimated forfeitures, related to unvested employee stock options. The company estimates that compensation cost will be recognised according to the following schedule.

	Stock-based compensation expense (USD)	Stock-based compensation expense (GBP)
2008	1,673,549	842,249
2009	1,151,436	579,485
2010	995,040	500,775
2011	494,279	248,756
2012	494,279	248,756
2013	387,674	195,105
2014	229,919	115,712
	<u>5,426,176</u>	<u>2,730,838</u>

This table represents certain information relating to SEI's stock option plans for 2007

	Number of Shares	Weighted average price (USD)
Balance as of 31 December 2006	1,802,000	18.81
Employee transfers	57,000	20.19
Granted	291,750	32.10
Exercised	(92,500)	13.23
Expired or cancelled	<u>(110,000)</u>	<u>19.06</u>
Balance as of 31 December 2007	1,948,250	21.09
Exercisable as of 31 December 2007	1,032,750	17.53

The expiration dates for options at 31 December 2007 range from 16 December 2008 to 10 December 2017 with a weighted average remaining contractual life of 6.62 years.

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This table summarizes information relating to all options outstanding at 31 December 2007

Exercise prices per share (USD)	Options outstanding at 31 December 2007			Options exercisable at 31 December 2007		
	Number of shares	Weighted average exercise price per share (USD)	Weighted average remaining contractual life (years)	Number of shares	Weighted average exercise price per share (USD)	Weighted average remaining contractual life (years)
\$ 4 25 - 14 71	424,500	11 71	3 69	309,250	10 61	3 12
14 78 - 19.13	244,000	15 00	5 85	123,500	15 13	5 71
19 28 - 21 43	368,000	19 91	6 83	238,000	20 26	6 18
21 55 - 28 09	364,500	22 50	5 97	362,000	22 46	5 94
29 61 - 32 49	547,250	30 94	9 53	-	-	-
	<u>1,948,250</u>			<u>1,032,750</u>		

17. Ultimate controlling party

The directors regard SEI Global Investments Corporation, a company incorporated in the United States of America, as the parent company and 100 percent owner of SEI Investments (Europe) Limited. SEI Investments Company is the ultimate parent company and 100 percent owner of SEI Global Investments Corporation. Copies of the accounts of SEI Investments Company are available from One Freedom Valley Drive, Oaks, Pennsylvania, USA 19456.

18. Lease commitments

At 31 December 2007, the Company has annual commitments under non-cancellable operating leases expiring as follows

	2007 £	2006 £
Within one year	97,169	41,313
Within two to five years	<u>71,917</u>	<u>-</u>
	<u>169,086</u>	<u>41,313</u>

19. Related party transactions

As a subsidiary undertaking of SEI Investments Company, the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by SEI Investments Company. Apart from intergroup transactions, no related parties transactions were entered into.

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20. Financial resources

The directors of the Company have also received a letter of support from SEI Investments Company, who controls the Company, which provides that SEI Investments Company will continue to ensure that the Company has sufficient financial resources to meet the FSA's regulatory requirements for the 12 month period subsequent to the date of approval of these financial statements

21. Prior year adjustment

The company adopted FRS 20 "Share-Based Payment" for the first time in 2006, in order to account for the effect of the share-based compensation scheme in operation for employees of the company. As a result, the charges against the Profits and loss account were £890,657 and £875,886 against brought forward retained loss as of 31 December 2006