

Report & Financial Statements

For the year ended 31 December 2010

GMO UK Limited

Company Number: 4658801

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DIRECTORS' REPORT**For the year ended 31 December 2010**

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 2010

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 increased by 12% in the year, which together with the 11% increase in expenses and the 72% increase in GMO LLC management re-charge income, resulted in the Group’s profit after tax increasing by 33%.

Following the share capital reduction exercise carried out by GMO Woolley Limited, an application was made to the registrar of companies for the company to be struck off on 1 December 2009. The dissolution became effective on 30 March 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 2010 were

Assets Under Management (Serviced by GMO UK Group) as at 31 December 2010 -

Segregated	£3.86 bn (2009 £3.86 bn)
Pooled	£2.53 bn (2009 £2.18 bn)
Total	£6.39 bn (2009 £6.04 bn)

Change in Assets Under Management (Serviced by GMO UK Group) from 31 December 2009 to 31 December 2010 -

Segregated	+0% (2009 +9%)
Pooled	+16% (2009 +32%)
Total	+6% (2009 +16%)

New business won by GMO UK Limited in 2010 (Managed by GMO group companies globally) -

Segregated	£0.31 bn (2009 £0.04 bn)
Pooled	£0.20 bn (2009 £0.27 bn)
Total	£0.51 bn (2009 £0.31 bn)

DIRECTORS' REPORT (continued)

For the year ended 31 December 2010

DIVIDEND

A dividend of £2,500,000 (2009 £Nil) was paid to Grantham, Mayo, Van Otterloo & Co LLC during the year. On 1 April 2011, the Directors approved the payment of a dividend to Grantham, Mayo, Van Otterloo & Co LLC of £3,000,000. 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 following the disposal of UK Treasury Stock during the year, its exposure to interest rate risk is therefore limited to returns achieved on its cash balances. The Group's principal financial assets are 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 £30,000 (2009 £30,750).

DIRECTORS

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

S Harris

B Hilsabeck

J B Kittredge

J P Mittaz (Appointed 27th September 2010)

U Mueller

DIRECTORS' REPORT (continued)
For the year ended 31 December 2010**DIRECTORS' RESPONSIBILITIES STATEMENT**

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' 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.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2010

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

A handwritten signature in black ink, appearing to read 'Simon Harris', with a stylized flourish at the end.

Simon Harris
Director
1 April 2011
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”) as set out in 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 Company 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	2010	2009
	£	£
Wages and salaries	3,415,812	3,528,002
Social security costs	437,224	411,884
Pension costs	16,051	9,520
	<u>3,869,087</u>	<u>3,959,406</u>
Remuneration – Employees whose actions have a material impact on the risk profile of the Company	2010	2009
	£	£
Wages and salaries	4,848,238	3,490,636
Social security costs	620,574	487,782
Pension costs	8,703	-
	<u>5,477,515</u>	<u>3,978,418</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 2010 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 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 2010 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

A handwritten signature in black ink, appearing to read 'Steven Brice', with a stylized, cursive script.

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

1 April 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2010

	Notes	2010	2009
		£	£
TURNOVER	3	17,517,794	15,593,047
Administrative expenses		(15,001,325)	(13,513,942)
Other operating income	4	2,799,456	1,627,246
OPERATING PROFIT	4	5,315,925	3,706,351
Other interest receivable and similar income	5	80,168	217,071
Amounts written off investments		(43,523)	(12,189)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,352,570	3,911,233
Taxation	8	(1,499,551)	(1,012,685)
PROFIT FOR THE FINANCIAL YEAR	16	3,853,019	2,898,548

All activities relate to continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2010

	Notes	2010	2009
		£	£
PROFIT FOR THE FINANCIAL YEAR		3,853,019	2,898,548
Unrealised loss on investments	17	-	(114,492)
TOTAL RECOGNISED GAINS FOR THE YEAR		3,853,019	2,784,056

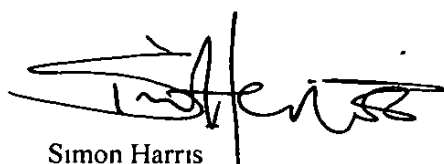
CONSOLIDATED BALANCE SHEET
as at 31 December 2010

		2010	2009
	Notes	£	£
FIXED ASSETS			
Tangible assets	10	109,188	138,847
CURRENT ASSETS			
Debtors	12	5,688,657	4,760,991
Investments	13	-	7,778,952
Cash at bank and in hand		11,174,193	2,589,487
		<u>16,862,850</u>	<u>15,129,430</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(6,854,102)	(6,503,360)
NET CURRENT ASSETS		<u>10,008,748</u>	<u>8,626,070</u>
NET ASSETS		<u>10,117,936</u>	<u>8,764,917</u>
CAPITAL AND RESERVES			
Share capital	15	2,500,000	2,500,000
Profit and loss account	16	7,617,936	6,264,917
EQUITY SHAREHOLDER'S FUNDS	17	<u>10,117,936</u>	<u>8,764,917</u>

COMPANY BALANCE SHEET
as at 31 December 2010

		2010	2009
	Notes	£	£
FIXED ASSETS			
Tangible assets	10	109,188	138,847
Investments	11	84,153	84,153
		<u>193,341</u>	<u>223,000</u>
CURRENT ASSETS			
Debtors	12	5,831,033	5,206,720
Investments	13	-	7,778,952
Cash at bank and in hand		10,867,959	1,999,076
		<u>16,698,992</u>	<u>14,984,748</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>(6,839,583)</u>	<u>(6,488,846)</u>
NET CURRENT ASSETS		<u>9,859,409</u>	<u>8,495,902</u>
NET ASSETS		<u>10,052,750</u>	<u>8,718,902</u>
CAPITAL AND RESERVES			
Share capital	15	2,500,000	2,500,000
Profit and loss account	16	7,552,750	6,218,902
EQUITY SHAREHOLDER'S FUNDS	17	<u>10,052,750</u>	<u>8,718,902</u>

Approved and authorised by the Board of Directors on 1 April 2011
and signed on their behalf by



Simon Harris
Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2010

	Notes	2010	2009
		£	£
Net cash inflow from operating activities	18	4,169,582	3,208,453
Returns on investments and servicing of finance			
- Interest received		80,168	234,425
Taxation			
- Tax paid		(857,039)	(752,473)
Capital expenditure			
- Payments to acquire tangible fixed assets		(46,607)	(30,754)
- Receipts from sale of tangible fixed assets		3,173	372
Equity dividends paid		(2,500,000)	-
Net cash inflow before use of liquid resources and financing		849,277	2,660,023
Management of liquid resources			
- Purchase of UK Treasury Stock		-	(8,980,505)
- Sale of UK Treasury Stock		7,735,429	6,967,229
Increase in cash in the year	19	8,584,706	646,747

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 undertaking made up to 31 December 2010.

(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 2010

(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 £3,833,848 (2009 £2,889,819).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

3 TURNOVER

	2010	2009
Turnover	£	£
United Kingdom	15,622,287	13,542,649
Europe & Rest of World	1,895,507	2,050,398
	<u>17,517,794</u>	<u>15,593,047</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

	2010	2009
	£	£
Operating profit is stated after (crediting) / charging		
Other operating income - management re-charges	(2,799,456)	(1,627,246)
Staff costs (see note 6)	12,762,558	11,632,076
Depreciation of tangible fixed assets	71,343	104,875
Loss on disposal of fixed assets	1,750	2,764
Loss from foreign currency conversion	28,018	91,768
Fees payable to the Company's auditor for the audit of the Company's annual accounts	36,000	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	4,669	3,506
- Tax services	11,533	4,000
Operating lease charges		
- Land and buildings	<u>370,842</u>	<u>379,289</u>

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010	2009
	£	£
Bank and other interest receivable	<u>80,168</u>	<u>217,071</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

6 EMPLOYEE INFORMATION

Remuneration - All Company employees	2010	2009
	£	£
Wages and salaries	11,260,352	10,276,778
Social security costs	1,402,327	1,277,112
Pension costs	99,879	78,186
	<u>12,762,558</u>	<u>11,632,076</u>

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

	2010	2009
	No.	No.
By activity		
Management and administration	16	16
Investment professionals	13	12
	<u>29</u>	<u>28</u>

7 DIRECTORS' EMOLUMENTS

	2010	2009
	£	£
Emoluments		
Aggregate emoluments	3,147,811	3,290,002
Total emoluments of the highest paid Director	<u>1,942,208</u>	<u>1,904,656</u>
Pension Contributions		
Aggregate contributions made by the Company during the year to Directors' defined contribution pension schemes	3,247	-
Contributions made by the Company during the year to defined contribution pension schemes in respect of the highest paid Director	-	-

During the year, no Director received accrued benefits under Directors' defined contribution pension schemes (2009: Nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

8 TAXATION ON THE PROFIT FOR THE YEAR

	2010 £	2009 £
(a) Tax on the profit of ordinary activities comprised:		
Current tax		
UK corporation tax on profits of the period	1,491,515	1,104,190
Foreign tax	2,748	1,277
Adjustment in respect of previous periods	791	(84,901)
	<u>1,495,054</u>	<u>1,020,566</u>
Deferred tax		
Origination and reversal of timing differences	4,497	(7,881)
	<u>4,497</u>	<u>(7,881)</u>
	<u>1,499,551</u>	<u>1,012,685</u>
Tax charge on profit on ordinary activities	<u>1,499,551</u>	<u>1,012,685</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 28% (2009 28%) The differences are explained below

Profit on ordinary activities before tax	5,352,570	3,911,233
	<u>5,352,570</u>	<u>3,911,233</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 28%)	1,498,720	1,095,145
<i>Effects of</i>		
Expenses not deductible for tax purposes	2,764	3,596
Depreciation (in excess of) / less than capital allowances	(3,794)	7,294
Other temporary differences	(37)	957
Rate differences	(3,390)	(1,525)
Prior year under / (over) provision	791	(84,901)
	<u>1,495,054</u>	<u>1,020,566</u>
Current tax charge for the year	<u>1,495,054</u>	<u>1,020,566</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

8 TAXATION ON THE PROFIT FOR THE YEAR (continued)

	2010	2009
	£	£
(c) The deferred tax included in the balance sheet is as follows:		
Included in debtors (note 12)	18,004	22,501
	<u>18,004</u>	<u>22,501</u>
Total recognised deferred tax asset	<u>18,004</u>	<u>22,501</u>
Accelerated capital allowances	13,757	18,060
Other timing differences	4,247	4,441
	<u>18,004</u>	<u>22,501</u>
Total recognised deferred tax asset	<u>18,004</u>	<u>22,501</u>
Deferred tax asset at the start of the year	22,501	14,620
Deferred tax (charge) / credit in profit and loss account for the year	(4,497)	7,881
	<u>18,004</u>	<u>22,501</u>
Deferred tax asset at the end of the year	<u>18,004</u>	<u>22,501</u>

9 DIVIDEND

	2010	2009
	£	£
Dividend paid on 2,500,000 ordinary shares - £1 00 per share (2009 no dividends were paid)	2,500,000	-
	<u>2,500,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

10 FIXED ASSETS – TANGIBLE ASSETS

GROUP & COMPANY	Leasehold improvements £	Office equipment £	Furniture and Fittings £	Total £
COST				
As at 1 January 2010	37,445	348,614	179,973	566,032
Additions	-	40,845	5,762	46,607
Disposals	-	(28,396)	-	(28,396)
As at 31 December 2010	37,445	361,063	185,735	584,243
DEPRECIATION				
As at 1 January 2010	30,327	229,020	167,838	427,185
Charge for the year	1,898	61,628	7,817	71,343
Disposals	-	(23,473)	-	(23,473)
As at 31 December 2010	32,225	267,175	175,655	475,055
NET BOOK VALUE				
As at 31 December 2010	5,220	93,888	10,080	109,188
As at 31 December 2009	7,118	119,594	12,135	138,847

11 FIXED ASSET INVESTMENTS – GROUP UNDERTAKINGS

	Company 2010 £
Investments in group undertakings	
At 1 January and 31 December 2010	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%	Dissolved
GMO Investment Management Company (Ireland) Limited	Ireland	Ordinary	100%	Investment management

*GMO Woolley Limited was dissolved on 30 March 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

12 DEBTORS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Due within one year				
Trade debtors	537,260	433,338	474,892	362,488
Other debtors	17,498	13,410	17,498	13,410
Amounts due from parent undertaking	1,065,140	487,525	1,065,140	487,525
Amounts due from fellow subsidiary or other group undertakings	3,173	8,495	207,917	525,075
Prepayments and accrued income	4,047,582	3,795,722	4,047,582	3,795,721
	<u>5,670,653</u>	<u>4,738,490</u>	<u>5,813,029</u>	<u>5,184,219</u>
Due after one year				
Deferred tax asset	18,004	22,501	18,004	22,501
	<u>5,688,657</u>	<u>4,760,991</u>	<u>5,831,033</u>	<u>5,206,720</u>
Total debtors				
	<u>5,688,657</u>	<u>4,760,991</u>	<u>5,831,033</u>	<u>5,206,720</u>
The deferred tax asset represents				
Capital allowances	13,757	18,060	13,757	18,060
Other timing differences	4,247	4,441	4,247	4,441
	<u>18,004</u>	<u>22,501</u>	<u>18,004</u>	<u>22,501</u>

13 CURRENT ASSETS: INVESTMENTS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Liquid funds as at 1 January	7,778,952	5,909,711	7,778,952	5,909,711
Investments in / (disposal of) UK Treasury Stock	(7,778,952)	1,869,241	(7,778,952)	1,869,241
	<u>-</u>	<u>1,869,241</u>	<u>-</u>	<u>1,869,241</u>
Liquid funds as at 31 December	-	7,778,952	-	7,778,952
	<u>-</u>	<u>7,778,952</u>	<u>-</u>	<u>7,778,952</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade creditors	241,038	204,421	240,913	204,421
Other creditors	81,153	15,862	81,153	15,862
Amount due to group undertaking	-	-	-	1
Taxation and social security	1,881,421	1,248,319	1,881,421	1,248,319
Corporation tax	912,107	274,092	911,654	278,396
Accruals and deferred income	3,738,383	4,760,666	3,724,442	4,741,847
Total creditors	<u>6,854,102</u>	<u>6,503,360</u>	<u>6,839,583</u>	<u>6,488,846</u>

15 CALLED UP SHARE CAPITAL

	Group and Company 2010 £	Group and Company 2009 £
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 2010	6,264,917
Profit for the financial year	3,853,019
Dividend paid	(2,500,000)
At 31 December 2010	<u>7,617,936</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

16 RESERVES (continued)

Company	Profit and loss account £
At 1 January 2010	6,218,902
Profit for the financial year	3,833,848
Dividend paid	(2,500,000)
	<hr/>
At 31 December 2010	<u>7,552,750</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Profit for the year	3,853,019	2,898,548	3,833,848	2,889,819
Dividend	(2,500,000)	-	(2,500,000)	-
Unrealised loss on investments	-	(114,492)	-	(114,492)
	<hr/>	<hr/>	<hr/>	<hr/>
Net increase in the year	1,353,019	2,784,056	1,333,848	2,775,327
Opening shareholder's funds as at 1 January	8,764,917	5,980,861	8,718,902	5,943,575
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholder's funds at 31 December	<u>10,117,936</u>	<u>8,764,917</u>	<u>10,052,750</u>	<u>8,718,902</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

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

	2010	2009
	£	£
	Group	Group
Operating profit	5,315,925	3,706,351
Loss on disposal of fixed assets	1,750	2,764
Depreciation	71,343	104,875
Change in debtors	(932,163)	2,452,398
Change in creditors	(287,273)	(3,057,935)
	<u>4,169,582</u>	<u>3,208,453</u>

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2010	2009
	£	£
	Group	Group
Net funds as at 1 January	2,589,487	1,942,740
Increase in cash in the year	8,584,706	646,747
	<u>11,174,193</u>	<u>2,589,487</u>

20 PENSION COMMITMENTS

The Company operates a defined contribution pension scheme with assets held in a separately administered fund. Contributions totalling £15,730 (2009 £15,862) were payable to the fund at year end. Contributions charged to the consolidated profit and loss account for the year were £99,879 (2009 £78,186).

21 CAPITAL AND OTHER COMMITMENTS

As at 31 December 2010 the Group had the following annual commitments under non cancellable operating leases

	2010	2009
	£	£
Land and buildings		
Expiring within		
Two and five years	<u>388,048</u>	<u>391,709</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

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 £2,799,456 (2009 £1,627,246) from Grantham, Mayo, Van Otterloo & Co LLC, and charged £3,173 (2009 £8,495) to its fellow subsidiary undertaking, GMO Switzerland GmbH As at 31 December 2010, a net amount of £1,065,140 was due from (2009 £487,525) Grantham, Mayo, Van Otterloo & Co LLC and £3,173 (2009 £8,495) 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 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 throughout the year Fees receivable in the year from GMO Funds Plc and GMO Unit Trust amounted to £4,630,848 (2009 £3,819,010) At the balance sheet date, the Group was owed £389,343 net (2009 £433,081 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 undertakings on the basis that the subsidiary undertakings are wholly owned