

Partnership Registration Number: OC307600

GENERATION INVESTMENT MANAGEMENT LLP

Report and Consolidated Financial Statements

31 December 2005



GENERATION INVESTMENT MANAGEMENT LLP

Report and Consolidated Financial Statements

31 December 2005

Contents	Page
Designated Members and Professional Advisers	1
The Members' Report	2-3
Business Review	4-5
Our Values	6
Independent Auditors' Report to the Members	7
Consolidated Profit and Loss Account and Consolidated Statement of Total Recognised Gains and Losses	8
Consolidated Balance Sheet	9
Balance Sheet	10
Consolidated Cash Flow Statement	11-12
Notes to the Consolidated Financial Statements	13-20

GENERATION INVESTMENT MANAGEMENT LLP

Designated Members and Professional Advisers

Designated members:

D W Blood
Festivebright Limited
P M Harris

Other members:

M Ferguson
A A Gore
P S Knight
C M le Duc

Registered office:

10 Upper Bank Street
London E14 5JJ

Business address:

First Floor
4 Cork Street
London, W1S 3LG

Auditors:

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London SE1 9SY

GENERATION INVESTMENT MANAGEMENT LLP

The Members' Report

Period ended 31 December 2005

The members have pleasure in presenting their report and the Consolidated Financial Statements of Generation Investment Management LLP (the "LLP") and its subsidiaries (the "Group") for the period ended 31 December 2005.

Principal activities

Generation Investment Management LLP is an independent, private, owner managed limited liability partnership. It was incorporated on 5 April 2004 under the name A&D Research and Capital Management LLP. On 20 August 2004 it changed its name to Generation Investment Management LLP.

The firm is dedicated to the principles of long-term investing, integrated sustainability research and client alignment. Its principal activity is the provision of investment management and advisory services to institutional clients and select individuals.

The Group is authorised and regulated, in the United Kingdom, by the Financial Services Authority from the 26 October 2004 and is a registered investment advisor with the Securities Exchange Commission in the United States since 22 October 2004.

Results for the period and allocation to members

The loss for the period attributable to members was £3.4m (30 April 2005: £2.5m). £0.4m (30 April 2005: £0.0m) relating to the Employee Benefit Plan ("EBP") was charged to other reserves.

The loss was in line with members' expectations as the business is in its start up phase and results are expected to improve during 2006. A business review is given on pages 4 and 5.

Designated members

The following designated members have held office since incorporation on 5 April 2004:

- D W Blood
- Festivebright Limited (24 May 2004)
- P M Harris (18 August 2004)

Statement of members' responsibilities

Company law as amended by the Limited Liability Partnerships Regulations 2001 requires the designated members to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the LLP and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the designated members 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 financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

The designated members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the LLP and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 as amended by the Limited Liability Partnerships Regulations 2001. They are also responsible for safeguarding the assets of the LLP and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GENERATION INVESTMENT MANAGEMENT LLP

The Members' Report (continued)

Period ended 31 December 2005

These responsibilities are fulfilled by the members. The designated members confirm that the above requirements have been met in preparing the financial statements.

Policy with respect to members' drawings and the subscription and repayments of members' capital

Distribution of profits can be made at the discretion of the members' management committee, taking into account the anticipated needs of the LLP, and in proportion to their member shares.

In the event of the LLP being wound up, no member has agreed with other Members that he shall contribute in any way to the assets of the LLP in accordance with Section 74 of the Insolvency Act.

Financial risk management

Risk management is an inherent part of Generation's business activities. The Group's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks. The Group exercises oversight through the Risk Oversight Group ("ROG").

The Company's operations expose it to a variety of financial risks the most significant of which are credit risk and operational risk.

Credit risk

The Group monitors exposures to all financial institutions. These exposures are subject to concentration limits and are reviewed by the ROG.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. To monitor and control operating risk, the Group maintains a system of policies and controls designed to provide a well-controlled operational environment, and to monitor and record any control failures.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the next members' meeting.

Registered office:

10 Upper Bank Street
London E14 5JJ

Signed by order of the members


P M Harris
Designated member

Approved by the members on 28 April 2006

GENERATION INVESTMENT MANAGEMENT LLP

Business Review

Period ended 31 December 2005

Review

Generation Investment Management LLP ("Generation") is an independent, private, owner managed partnership established in April 2004. The firm is dedicated to the principle of long-term investing, integrated sustainability research and client alignment.

Generation has offices in London, United Kingdom and Washington DC, United States of America, and is comprised of an integrated team of 20, combining experts from the investment management and sustainability fields.

The firm was established by 6 founding Partners:

- The Hon. Al Gore is Chairman;
- David Blood, the former CEO of Goldman Sachs Asset Management is Managing Partner;
- Mark Ferguson, previously co-Head of Pan-European Research at Goldman Sachs Asset Management and a Global Portfolio Manager, is Chief Investment Officer;
- Peter Harris, previously head of International Operations for Goldman Sachs Asset Management, is Chief Operating Officer;
- Peter S. Knight, formerly Managing Director Met West Financial, lawyer, and Campaign Manager for President Clinton's successful re-election in 1996, is President of Generation U.S.; and
- Colin le Duc, previously Director of Research for Sustainable Asset Management (Zurich) and an international strategy consultant for Arthur D. Little in London, is Head of Research.

Generation has appointed an Advisory Panel, which plays an important part in framing our long-term research agenda. It consists of global leaders and thinkers from capital markets, industry, sustainability, economics and geopolitical fields.

Capitalisation

Generation's initial capital of £12.0m was increased during the year by a further £2.0m. This level of capital is sufficient to permit Generation to attract talented investment professionals and, to concentrate on developing and refining the investment process without chasing revenues, particularly in the early years of operation.

Risk oversight group

Generation has established a Risk Oversight Group ("ROG"), chaired by an independent non-executive officer, to, among other things, review the firm's internal controls, receive reports from the firm's external auditors and consider the draft financial statements prior to approval by the Members. The ROG met three times during the period.

Employee incentive bonus plan

In April 2005 Generation allocated £1.5m to create an incentive bonus scheme for partners and employees. This amount has been invested in the Generation investment funds. Partners and employees have been granted awards representing an investment in units of the funds. The awards vest after three years, subject to the Plan Rules, and after five years the units are redeemed and cash payments will be made based upon the current value of the investments

GENERATION INVESTMENT MANAGEMENT LLP

Business Review (continued)

Period ended 31 December 2005

Investment philosophy

Generation believes investment results for long-only equity strategies are maximised by taking a long-term investment horizon because a majority of a company's value is determined by its long-run performance. Furthermore, sustainability issues can impact a company's ability to generate returns and therefore must be fully integrated with rigorous fundamental equity analysis to achieve optimal long-term investment results. A concentrated approach allows maximum leverage of an intense research effort.

Global equity investment strategy

Generation's global equity funds and portfolios invest in 30 to 50 companies, most of which are large capitalisation (Market capitalisation > \$3 billion) and based in countries in the developed world. We aim to buy high quality companies at sufficiently attractive prices that will deliver superior investment returns over the long-term. Sustainability research plays an integral role in forming our views on the quality of the business, the quality of management and valuation.

Investment vehicles

Generation currently manages two investment funds – a Delaware registered company, funded on 1 February 2005 and a Dublin registered company, funded on 20 April 2005. At the year end the combined assets under management were approximately £56million. The funds have quarterly liquidity and are open to certain qualified individuals and institutions.

Generation will also offer separately managed accounts depending upon size and circumstances.

Outlook

Generation met its targets for 2005, having built a professional team, a controlled infrastructure, and a credible investment process, and launched two investment funds. During 2006 we plan to continue building on those achievements, further strengthening the investment team and the investment process. *We hope to steadily increase client investments into the funds and attract our first institutional separate account clients.*

Generation foundation

5% of the firm's profitability will be allocated to the Generation Foundation. The Foundation will support global non-profit sustainability initiatives.

GENERATION INVESTMENT MANAGEMENT LLP

Our Values

Commitment to clients

Our first commitment is to provide exceptional service to our clients. The best way to achieve this is to deliver superior long-term performance.

Integrity

Integrity and honesty are the bedrock of our business. We demand the highest ethical standards in our work and in our personal lives.

Excellence and innovation

We aim for excellence in all that we do. We are committed to hard work, creativity and innovation in our effort to improve our investment processes and to provide the highest quality service to our clients.

Teamwork

We especially value teamwork. We consider each of the women and men with whom we work as individuals entitled to respect, dignity and recognition on the basis of merit.

Diversity

We want our team to reflect the diversity of the communities and cultures in which we operate in order to draw from the wisdom of many different backgrounds and perspectives.

Sustainability research

We are committed to an investment philosophy that integrates sustainability research with rigorous fundamental equity analysis. This is the best method of long term investing to protect the interests of our clients. We also believe that just as economic success must be sustainable, sustainability must include economic success.

Independence

We are committed to an independent employee managed partnership as an enduring business model.

Responsible citizenship

We recognise our responsibility to live in accordance with our values, to be responsible to the communities in which we live and work and to the world community as well. We endeavour to be good citizens, support charities, be mindful of ways to help our employees fulfil their family responsibilities and serve their communities, and protect our environment and natural resources.

GENERATION INVESTMENT MANAGEMENT LLP

Independent Auditors' Report to the Members of Generation Investment Management LLP

Period ended 31 December 2005

We have audited the group and parent company financial statements (the "financial statements") of Generation Investment Management LLP (the "LLP") for the period ended 31 December 2005 which comprise the Consolidated Profit And Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the LLP Balance Sheet, Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditors

The members' responsibilities for preparing the Annual Report and 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 members' 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 LLP's members as a body in accordance with section 235 of the Companies Act 1985 as it applies to the partnership in accordance with the Limited Liability Partnerships Act 2000 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 Limited Liability Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, the LLP 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 members' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Members' Report and the Business Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and parent 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.

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 group and parent company's affairs as at 31 December 2005 and of the group's loss and cash flows for the period then ended and have been properly prepared in accordance with the provisions of the Limited Liability Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 April 2006

GENERATION INVESTMENT MANAGEMENT LLP

Consolidated Profit and Loss Account and Consolidated Statement of Total Recognised Gains and Losses

Period ended 31 December 2005

	Note	1 May 2005 to 31 December 2005 £'000	5 April 2004 to 30 April 2005 £'000
Turnover	2	279	42
Administrative expenses		(3,899)	(2,767)
Other operating income	8	320	-
Operating loss		(3,300)	(2,725)
Profit on sale of investments		6	-
Interest receivable		141	440
Loss on ordinary activities	3	(3,153)	(2,285)
Loss for the financial period before members' remuneration and profit shares		(3,153)	(2,285)
Salaried remuneration of members		(234)	(233)
Loss for the financial period available for division among members		(3,387)	(2,518)

Consolidated Statement of Total Recognised Gains and Losses

	Note	1 May 2005 to 31 December 2005 £'000	5 April 2004 to 30 April 2005 £'000
Loss for the financial period available for division among members		(3,387)	(2,518)
Translation gains on consolidation of foreign subsidiaries	16	74	-
Total recognised gains and losses		(3,313)	(2,518)

All of the activities of the Group are classed as continuing. There is no difference between the loss available for division amongst the members and its historical cost equivalents.

As permitted by Section 230 Companies Act (as modified for application to LLPs) the LLP is exempt from presenting its own profit and loss account. The loss of the LLP for the financial period amounted to £2.7m (30 April 2005: £1.9m).

The notes on pages 13 – 20 form part of these financial statements

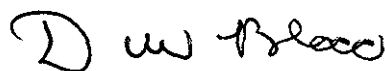
GENERATION INVESTMENT MANAGEMENT LLP

Consolidated Balance Sheet

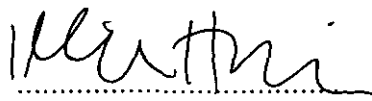
At 31 December 2005

	Note	31 December 2005 £'000	30 April 2005 £'000
Fixed assets			
Tangible assets	5	329	384
Current assets			
Debtors	9	1,761	2,211
Investments	8	1,868	1,692
Cash at bank		5,637	6,653
		9,266	10,556
Creditors: Amounts falling due within one year	10	(445)	(361)
Net current assets		8,821	10,195
Total assets less current liabilities		9,150	10,579
Provisions for liabilities and charges	11	(1,947)	(1,627)
Net assets		7,203	8,952
Members' other interests			
Members capital	16	6,032	7,476
Foreign exchange reserve	16	74	-
Other reserves	16	1,097	1,476
		7,203	8,952
Total members' interests			
Loans and other debts due to members		-	-
Members other interests	16	7,203	8,952
		7,203	8,952

The financial statements were approved by the designated members on 28 April 2006



D W Blood
Designated member



P M Harris
Designated member

The notes on pages 13 – 20 form part of these financial statements

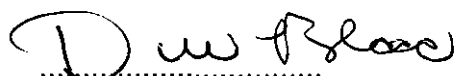
GENERATION INVESTMENT MANAGEMENT LLP

Balance Sheet

At 31 December 2005

	Note	31 December 2005 £'000	30 April 2005 £'000
Fixed assets			
Tangible assets	6	296	355
Shares in subsidiary undertakings	7	1,557	1,302
		<u>1,853</u>	<u>1,657</u>
Current assets			
Debtors	9	1,387	1,787
Investments	8	1,373	1,105
Cash at bank		5,550	6,566
		<u>8,310</u>	<u>9,458</u>
Creditors: Amounts falling due within one year	10	<u>(313)</u>	<u>(310)</u>
Net current assets		<u>7,997</u>	<u>9,148</u>
Total assets less current liabilities		9,850	10,805
Provisions for liabilities and charges	11	<u>(1,453)</u>	<u>(1,236)</u>
Net assets		<u>8,397</u>	<u>9,569</u>
Members' other interests			
Members capital	16	7,203	8,093
Other reserves	16	1,194	1,476
		<u>8,397</u>	<u>9,569</u>
Total members' interests			
Loans and other debts due to members		-	-
Members other interests	16	8,397	9,569
		<u>8,397</u>	<u>9,569</u>

The financial statements were approved by the designated members on 28 April 2006



D W Blood
Designated member



P M Harris
Designated member

The notes on pages 13 – 20 form part of these financial statements

GENERATION INVESTMENT MANAGEMENT LLP

Consolidated Cash Flow Statement

Period ended 31 December 2005

	1 May 2005 to 31 December 2005 £'000	5 April 2004 to 30 April 2005 £'000
Operating activities		
Net cash outflow from operating activities	(2,667)	(2,860)
Returns on investment and servicing of finance		
Interest received	141	440
Taxation	-	-
Capital expenditure		
Payments to acquire fixed assets	(31)	(472)
Receipts from sale of investments	231	-
Payments to acquire investments	(20)	(1,692)
	180	(2,164)
Cash outflow before financing	(2,346)	(4,584)
Financing		
Capital contributions	2,000	12,000
Salaried remuneration of members	(234)	(233)
Drawings	(436)	(530)
Net cash inflow from financing	1,330	11,237
(Decrease) / increase in cash	(1,016)	6,653
Reconciliation of operating profit to net cash outflow from operating activities		
Operating loss	(3,300)	(2,725)
Depreciation	82	88
Unrealised gains on investments	(320)	-
Profit on disposal of investments	(6)	-
Decrease / (increase) in debtors	450	(2,211)
Increase in creditors	84	361
Increase in provisions	320	1,627
Foreign exchange	23	-
	(2,667)	(2,860)

The notes on pages 13 – 20 form part of these financial statements.

GENERATION INVESTMENT MANAGEMENT LLP

Consolidated Cash Flow Statement (continued)

Period ended 31 December 2005

	1 May 2005 to 31 December 2005 £'000	5 April 2004 to 30 April 2005 £'000
Reconciliation of net cash flow to movements in net funds		
(Decrease) / increase in cash in the period	(1,016)	6,653
Movement in net funds in the period	(1,016)	6,653
Net funds at beginning of period	6,653	-
Net funds at end of period	5,637	6,653

Analysis of changes in net funds

	1 May 2005 £'000	Cash flows £'000	31 December 2005 £'000
Net cash:			
Cash in hand and at bank	6,653	(1,016)	5,637

The notes on pages 13 – 20 form part of these financial statements

GENERATION INVESTMENT MANAGEMENT LLP

Notes to the financial statements

Period ended 31 December 2005

1. Accounting policies

Basis of accounting

The consolidated financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the applicable accounting standards and the requirements of the Statement of Recommended Practice (the "SORP") "Accounting by Limited Liability Partnerships". The principal accounting policies are set out below:

Consolidation

The consolidated financial statements incorporate the financial statements of the LLP and its US incorporated subsidiaries Generation Investment Management US LLP and Generation Services LLC. All significant inter-company accounts and transactions have been eliminated upon consolidation. As a consolidated Group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the Group financial statements by virtue of section 230 of the Companies Act 1985.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Assets and liabilities of subsidiaries which have currencies of operation other than sterling are translated into sterling at the year end exchange rates. Profits and losses are translated at the average rate of exchange for the period. Exchange differences arising from the retranslation of the opening net assets of subsidiaries, which have currencies of operation other than sterling and any related loans are taken to reserves together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end. Other exchange differences are taken to the profit and loss account.

Segmental reporting

The whole of the Group's activities are related to the business of investment management. In the opinion of the members, the Group operates in two geographical and one business segment.

Turnover

The turnover shown in the profit and loss account represents amounts due for investment advisory services recognised on an accruals basis during the period, exclusive of Value Added Tax. Performance fees are recognised when they are receivable.

Interest receivable

Interest comprises interest on cash balances and short-term money market deposits and is accounted for on an accrual basis.

Income and expenditure

Income and expenditure are included on an accruals basis.

Pension arrangements

The Group does not operate its own pension scheme. The Group contributes on behalf of the employees to their chosen pension scheme plan. The charge against the profit represents the actual amount of the contribution payable to pension schemes in respect of the accounting period.

GENERATION INVESTMENT MANAGEMENT LLP

Notes to the financial statements (continued)

Period ended 31 December 2005

Operating leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Taxation

Income tax payable on the LLP's profits is solely the personal liability of the individual members and consequently is not dealt with in these financial statements. Corporation tax arising in any subsidiary undertaking is included in the Group tax charge.

Tangible fixed assets

Tangible fixed assets are stated at the lower of cost or valuation less depreciation.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office equipment	-	33 1/3 % straight line per annum
Furniture and fittings	-	20 % straight line per annum

Shares in subsidiary undertakings

Shares in subsidiary undertakings are recorded at cost less any provision for diminution in value that is considered to be permanent.

Current asset investments

Current asset investments are investments held other than for continuing use in the business. Marketable securities are stated at market value in accordance with market practice, and profits and losses arising from this revaluation are taken to the profit and loss account.

Allocation of profits and drawings

A member's share in the profit or loss for the period is accounted for as an allocation of profits. To the extent that interim or final profit allocations exceed drawings then the excess profit is included in the balance sheet under loans and other debts due to members. Where drawings exceed the allocated profits then the excess is included in debtors. Unallocated profits and losses are included in "other reserves" within members' other interests.

2. Turnover

The turnover and loss are attributable to the principle activity of the Group.

An analysis of turnover is given below:

	1 May 2005 to 31 December 2005 £'000	5 April 2004 to 30 April 2005 £'000
United Kingdom	61	-
United States	218	42
	<hr/> 279	<hr/> 42

GENERATION INVESTMENT MANAGEMENT LLP

Notes to the financial statements (continued)

Period ended 31 December 2005

3. Operating loss

Operating loss is stated after charging:

	1 May 2005 to 31 December 2005 £'000	5 April 2004 to 30 April 2005 £'000
Staff pension contributions	174	84
Depreciation of tangible fixed assets	82	88
Auditors' remuneration		
- audit	25	15
- other services	27	27
Operating lease costs – land and buildings	135	68
Foreign exchange	7	-

4. Employees and remuneration

The average monthly number of staff (excluding members – note 15) employed by the LLP during the financial period amounted to:

	1 May 2005 to 31 December 2005	5 April 2004 to 30 April 2005
	Number	Number
Number of administrative staff	14	8
The aggregate of payroll costs of staff were:	£'000	£'000
Wages and salaries	1,524	1,170
Social security costs	160	129
Other pension costs	174	84
	1,858	1,383

GENERATION INVESTMENT MANAGEMENT LLP

Notes to the financial statements (continued)

Period ended 31 December 2005

5. Tangible fixed assets – the Group

	Plant & Machinery £'000	Office equipment £'000	TOTAL £'000
COST			
At 1 May 2005	262	210	472
Additions	2	29	31
Disposals	-	(5)	(5)
At 31 December 2005	264	234	498
DEPRECIATION			
At 1 May 2005	39	49	88
Charge for the period	35	47	82
Withdrawn on disposal	-	(1)	(1)
At 31 December 2005	74	95	169
NET BOOK VALUE			
At 31 December 2005	190	139	329
At 30 April 2005	223	161	384

6. Tangible fixed assets – the LLP

	Plant & Machinery £'000	Office equipment £'000	TOTAL £'000
COST			
At 1 May 2005	262	176	438
Additions	2	20	22
Disposals	-	(5)	(5)
At 31 December 2005	264	191	455
DEPRECIATION			
At 1 May 2005	39	44	83
Charge for the period	35	42	77
Withdrawn on disposal	-	(1)	(1)
At 31 December 2005	74	85	159
NET BOOK VALUE			
At 31 December 2005	190	106	296
At 30 April 2005	223	132	355

GENERATION INVESTMENT MANAGEMENT LLP

Notes to the financial statements (continued)

Period ended 31 December 2005

7. Fixed asset investments – the LLP

<i>Shares in subsidiary undertakings</i>	1 May 2005 to 31 December 2005 £'000	5 April 2004 to 30 April 2005 £'000
COST		
At start of period	1,302	-
Additions	255	1,302
At end of period	1,557	1,302

Name	Country of incorporation	Principal activity	Country of principal	% Of capital interest held operations
Generation Investment Management US LLP	USA	Investment management	UK	100%
Generation Services LLC	USA	Services company	UK	100%

8. Current asset investments

	1 May 2005 to 31 December 2005 The Group £'000	The LLP £'000	5 April 2004 to 30 April 2005 The Group £'000	The LLP £'000
COST				
At start of period	1,692	1,105	-	-
Additions	20	-	1,692	1,105
Disposals	(225)	-	-	-
Revaluation on currency translation	61	-	-	-
At end of period	1,548	1,105	1,692	1,105
Unrealised gains on investments	320	268	-	-
Market value of investments	1,868	1,373	1,692	1,105

Current assets investments comprise investments on behalf of an Employee Incentive Bonus Plan, details of which are given in note 12.

GENERATION INVESTMENT MANAGEMENT LLP

Notes to the financial statements (continued)

Period ended 31 December 2005

9. Debtors

	31 December 2005		30 April 2005	
	The Group	The LLP	The Group	The LLP
	£'000	£'000	£'000	£'000
VAT recoverable	49	49	196	196
Other debtors	373	338	254	224
Deferred award	1,266	927	1,620	1,226
Prepayments	73	73	141	141
	<u>1,761</u>	<u>1,387</u>	<u>2,211</u>	<u>1,787</u>

10. Creditors: Amounts falling due within one year

	31 December 2005		30 April 2005	
	The Group	The LLP	The Group	The LLP
	£'000	£'000	£'000	£'000
Trade creditors	95	34	145	145
PAYE and social insurance	101	101	143	143
Accruals and deferred income	249	178	73	22
	<u>445</u>	<u>313</u>	<u>361</u>	<u>310</u>

11. Provisions for liabilities and charges

	31 December 2005	
	The Group	The LLP
	£'000	£'000
Employee incentive plan		
At 1 May 2005	1,627	1,236
Profit and loss account charge	320	217
	<u>1,947</u>	<u>1,453</u>

12. Employee incentive bonus plan

The plan is designed to permit the LLP to give certain employees and members an investment in units of the Generation IM Global Equity Funds. On the closure of the plan the units will be redeemed and payments will be made in respect of the value of the units at the time.

Generation provides two separate Incentive Bonus Plan schemes:

- For UK employees: the LLP has created an Employee Benefit Trust in which certain UK employees will be beneficiaries. The Trust has made an investment in units of the Generation IM Global Equity Fund.
- For LLP members and US citizen employees: the LLP has invested directly in the Generation IM Global Equity Fund.

GENERATION INVESTMENT MANAGEMENT LLP

Notes to the financial statements (continued)

Period ended 31 December 2005

Member and employee interests in the plan are set out in an award letter to participants. The award represents an award of units in Generation IM Global Equity Funds. The number of units comprised in an award depends on the member's or employee's level of seniority at the grant date.

The capital gifted to the Employee Incentive Bonus Plan by David Blood amounted to £1.5m.

Terms and conditions of the award are detailed in the Plan Rules. Subject to Plan Rules, the awards vest for members and employees after three years from the date of grant and after five years the units will be redeemed and cash payments will be made in respect of the value of the awards.

13. Related party transactions

The Group has established the Generation Foundation, a related party, to support global non-profit sustainability initiatives. Initial operating expenses of the Foundation amounting to £0.1m were met by the Group which will be reimbursed by the Foundation. The amount is outstanding at 31 December 2005 and is included in other debtors. No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

14. Controlling party

David Blood is the Managing Partner and has the majority interest in the capital of the LLP. However, the LLP is controlled jointly by the members.

15. Information in relation to members

	1 May 2005 to 31 December 2005	5 April 2004 to 30 April 2005
	Number	Number
Average number of members during the period	6	6
	£'000	£'000
One partner drew a salary amounting to	234	233
Loss for the period attributable to the member with the largest entitlement was:	£'000	£'000
The Group	3,008	2,504
The LLP	2,454	1,890

GENERATION INVESTMENT MANAGEMENT LLP

Notes to the financial statements (continued)

Period ended 31 December 2005

16. Reconciliation of movement in members' interests for the period to 31 December 2005

a) Group

	Members' capital £'000	Foreign exchange reserves £'000	Other reserves £'000	TOTAL £'000	Loans & other debts due to members £'000	TOTAL £'000
Members' interest:						
At 1 May 2005	7,476	-	1,476	8,952	-	8,952
Capital introduced	2,000	-	-	2,000	-	2,000
Loss available for division	-	-	(3,387)	(3,387)	-	(3,387)
Foreign exchange on consolidation	-	74	-	74	-	74
Members' interest after loss	9,476	74	(1,911)	7,639	-	7,639
Allocated loss	(3,008)	-	3,008	-	-	-
Drawings	(436)	-	-	(436)	-	(436)
At 31 December 2005	6,032	74	1,097	7,203	-	7,203

b) LLP

	Members' capital £'000	Other reserves £'000	TOTAL £'000	Loans & other debts due to members £'000	TOTAL £'000
Members' interest:					
At 1 May 2005	8,093	1,476	9,569	-	9,569
Capital introduced	2,000	-	2,000	-	2,000
Loss available for division	-	(2,736)	(2,736)	-	(2,736)
Members' interest after loss	10,093	(1,260)	8,833	-	8,833
Allocated loss	(2,454)	2,454	-	-	-
Drawings	(436)	-	(436)	-	(436)
At 31 December 2005	7,203	1,194	8,397	-	8,397

17. Commitments under operating leases

	1 May 2005 to 31 December 2005		5 April 2004 to 30 April 2005	
Annual commitments	The Group £'000	The LLP £'000	The Group £'000	The LLP £'000
Land and buildings				
Operating leases which expire:				
Within 1 year	70	-	68	-
After 5 years	131	131	130	130
Other operating leases				
Operating leases which expire:				
Within 2 to 5 years	96	96	55	55

On 23 June 2004, the LLP entered into an agreement in respect of a lease for a new office in London. The lease expires on 23 June 2012. The rental payments are £0.1m per annum paid quarterly in advance. On 18 August 2004, the US LLP entered into an agreement in respect of a lease for office space in Washington, DC, USA. The lease expires in December 2006. The rental payments are £0.1m per annum paid monthly in advance.