Partnership Registration Number OC307600

GENERATION INVESTMENT MANAGEMENT LLP

Members' Report and Consolidated Financial Statements

31 December 2009

Contents

GENERATION INVESTMENT MANAGEMENT LLP

Designated Members and Professional Advisors

Year ended 31 December 2009

Designated members:	D W Blood P M Harris
Other members:	M Ferguson A A Gore P S Knight C M le Duc M R Nogales H A Mehn M C Mills Festivebright Limited
Registered office:	One Vine Street London W1J 0AH
Business address:	One Vine Street London W1J 0AH
Independent auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Registered Auditors Hay's Galleria 1 Hay's Lane London SE1 2RD

The members have pleasure in presenting their report and the audited Consolidated Financial Statements of Generation Investment Management LLP ("Generation" or the "LLP") and its subsidiaries (together the "Group") for the year ended 31 December 2009

Business review and principal activities

Generation Investment Management LLP is an independent, private, owner managed limited liability partnership

Generation 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 and authorised, in the United States, by the US Securities Exchange Commission (SEC)

Results for the year and allocation to members

The profit for the year attributable to members was £31 5m (2008 profit of £8 3m)

Net assets attributable to members as at 31 December 2009 were £20 8m (2008 net assets of £9 8m)

Future outlook

Generation intends to continue to develop its investment team, refine the investment process and provide exceptional client service

Principal risks and uncertainties

The Group's operations expose it to a variety of financial risks the most significant of which are credit risk and operational risk These are explored in more detail in note 18 to the financial statements In accordance with the rules of the Financial Services Authority, the Group has published information on its risk management objectives and policies and on its regulatory capital requirements and resources This information is available at www generationim com

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 principal risks

Risk Oversight Group

The Group exercises oversight through the Risk Oversight Group ("ROG") The ROG is chaired by an independent non-executive officer, to, among other things, review the Generation's's internal controls and regulatory compliance, receive reports from the Generation's external auditors and consider the draft financial statements prior to approval by the members The ROG met formally four times during the year

Designated members

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

- D W Blood
- P M Harris (18 August 2004)

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

Members are entitled to Annual Profit Share (APS) which are taken as drawings except in the case of one member where his APS was taken as salary in 2008 The amount of APS for each member is determined by the members' remuneration committee

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 Additionally, any amounts due to members would rank after amounts due to other creditors

Capitalisation

The current level of capital is sufficient to permit Generation to attract and retain talented investment professionals, to concentrate on developing and refining the investment process and to meet regulatory requirements

Employee Incentive Benefit Plan (EIBP)

To date Generation has allocated £2 3m (£0 1m was allocated during the year) to create an incentive benefit plan for partners and employees Partners and employees have been granted awards which have been invested in Generation's investment funds Generally and subject to the Plan Rules, the awards vest after three years and after five years the investments may be realised and cash payments made based upon the current redemption value of those investments

Carbon offsetting

Generation is an associate member of the Chicago Climate Exchange (CCX) As such, Generation has a binding commitment to measure and report its business-related emissions Generation undergoes an annual audit of its carbon footprint as part of this process Carbon Financial Instruments are purchased sufficient to offset emissions from electricity use, commuting, and business travel on an annual basis following completion of the audit In a further effort to minimize its impact on the environment Generation also purchases voluntary offsets to cover the personal emissions attributable to all employees, members, their partners and any children In 2009 these voluntary offsets came from renewable energy and forestry projects and were purchased from a portfolio of offset providers

Generation Foundation

5% of the firm's profitability is allocated to the Generation Foundation (the "Foundation") During 2009 the Foundation commenced a matched giving programme for eligible employee charitable donations and sponsored Generation's first community project day

Statement of members' responsibilities

The Limited Liability Partnerships (Accounts and Audit)(Application of Companies Act 2006) Regulations 2008 require the designated members to prepare financial statements for each financial year 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 year 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 Limited Liability Partnerships (Accounts and Audit)(Application of Companies Act 2006) Regulations 2008 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

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

Statement of disclosure of information to auditors

As so far as the members are aware, there is no relevant audit information of which the LLP's auditors are unaware The members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information

Independent auditors

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

Registered office

One Vine Street
London
W1J 0AH

Signed on behalf of the members

P M Harris
Designated member

Approved by the members on 23 April 2010

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

We have audited the Group and Partnership financial statements of Generation Investment Management LLP for the year ended 31 December 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Partnership Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses 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 Group 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 Group 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 members of the Partnership in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit)(Application of Companies Act 2006) Regulations 2008 (the "Regulations") 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 Group financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 2006, as applied to limited liability partnerships We also report to you if, in our opinion, the limited liability partnership has not kept adequate accounting records, or if we have not received all the information and explanations we require for our audit

We read the other information contained in the Members' Report, and consider whether it is consistent with the audited financial statements We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group 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 Group financial statements It also includes an assessment of the significant estimates and judgments made by the members in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the limited liability partnership'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 Group 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 Group financial statements

Opinion

In our opinion the Group financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and Partnership's affairs as at 31 December 2009 and of the profit of the Group and cash flows of the Group for the year then ended, and

- have been properly prepared in accordance with the Companies Act 2006, as applied to limited liability partnerships by the Regulations

Ian Armfield (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
23 April 2010

GENERATION INVESTMENT MANAGEMENT LLP

Consolidated Profit and Loss Account

Year 31 December 2009

	Note	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Turnover	2	46,048	19,332
Administrative expenses		(15,047)	(10,301)
Other operating income	3	102	-
Operating profit	4	31,103	9,031
Interest receivable		64	157
Unrealised profit/(loss) on investments	8, 9	830	(458)
Interest payable		(57)	(43)
Profit for the financial year before taxation		31,940	8,687
Taxation	5	(427)	-
Profit for the financial year before members' remuneration and profit shares		31,513	8,687
Member's remuneration charged as an expense	17	-	(409)
Profit for the financial year available for discretionary division among members		31,513	8,278

Consolidated Statement of Total Recognised Gains and Losses

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit for the financial year available for division among members	31,513	8,278
Translation (loss)/gain on consolidation of foreign subsidiary	(735)	904
Total recognised gains and losses	30,778	9,182

All of the activities of the Group are classed as continuing

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical costs equivalents

As permitted by Section 408 Companies Act 2006 (as modified for application to LLPs) the LLP is exempt from presenting its own profit and loss account The profit of the LLP for the financial year amounted to £28 9m (2008 £9 4m)

The notes on pages 13 – 28 form part of these financial statements

GENERATION INVESTMENT MANAGEMENT LLP

Consolidated Balance Sheet

At 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	7	1,059	655
Investments	8	2,209	1
		3,268	656
Current assets			
Debtors	10	12,696	4,807
Investments	9	6,668	4,914
Cash and short term deposits at bank		10,531	5,486
		29,895	15,207
Creditors Amounts falling due within one year	11	(7,948)	(2,722)
Net current assets		21,947	12,485
Total assets less current liabilities		25,215	13,141
Creditors: Amounts falling due after more than one year	12	(115)	(358)
Provisions for liabilities	13	(4,296)	(2,977)
Net assets attributable to members		20,804	9,806
Represented by:			
Equity			
Members' capital	19	7,320	5,498
Foreign exchange reserves	19	227	962
EIBP gift reserve	14, 19	424	491
Other reserves	19	12,833	2,855
		20,804	9,806
Total members' interests			
Loans and other debts due from members	19	-	-
Members' other interests	19	20,804	9,806
		20,804	9,806

The financial statements were approved by the designated members on 23 April 2010

D W Blood
Designated member

P M Harris
Designated member

The notes on pages 13 – 28 form part of these financial statements

GENERATION INVESTMENT MANAGEMENT LLP

Partnership Balance Sheet

At 31 December 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	7	413	639
Investments	8	4,003	1,799
		4,416	2,438
Current assets			
Debtors	10	12,515	5,442
Investments	9	5,918	4,364
Cash and short term deposits at bank		10,331	5,435
		28,764	15,241
Creditors. Amounts falling due within one year	11	(7,613)	(2,416)
Net current assets		21,151	12,825
Total assets less current liabilities		25,567	15,263
Creditors. Amounts falling due after more than one year	12	(115)	(358)
Provisions for liabilities	13	(3,369)	(2,427)
Net assets attributable to members		22,083	12,478
Represented by:			
Equity			
Members' capital	19	9,160	7,316
EIBP gift reserve	14, 19	790	875
Other reserves	19	12,133	4,287
		22,083	12,478
Total members' interests			
Loans and other debts due to members	19	-	-
Members' other interests	19	22,083	12,478
		22,083	12,478

The financial statements were approved by the designated members on 23 April 2010

D W Blood
Designated member

P M Harris
Designated member

The notes on pages 13 – 28 form part of these financial statements

GENERATION INVESTMENT MANAGEMENT LLP

Consolidated Cash Flow Statement

Year ended 31 December 2009

	Note	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Net cash inflow from operating activities	(1)	**31,159**	**8,467**
Returns on investments and servicing of finance			
Interest received		64	155
Interest element of finance leases		(57)	(43)
Net cash inflows from returns on investments and servicing of finance		**7**	**112**
Taxation		**(130)**	**-**
Capital expenditure and financial investment			
Receipt from sale of fixed assets		4	-
Payments to acquire fixed assets		(806)	(198)
Payments to acquire investments		(3,182)	(2,541)
Net cash outflow from capital expenditure and financial investment		**(3,984)**	**(2,739)**
Transactions with members			
Capital contributions		-	-
Salaried remuneration of members		-	(409)
Drawings paid to members		(21,780)	(1,983)
Net cash outflow from transactions with members		**(21,780)**	**(2,392)**
Financing		**(227)**	**(120)**
Net increase in cash and short term deposits at bank	(2)	**5,045**	**3,328**

The notes on pages 13 – 28 form part of these financial statements

GENERATION INVESTMENT MANAGEMENT LLP

Consolidated Cash Flow Statement (continued)

Year ended 31 December 2009

(1) Reconciliation of operating profit to net cash outflow from operating activities

Operating profit	31,103	9,031
Depreciation	391	305
Loss on disposal of fixed assets	7	84
Increase in debtors	(7,889)	(2,379)
Increase in creditors	5,210	572
Increase in provisions	1,319	196
Other non-cash changes	1,018	658
Net cash inflow from operating activities	31,159	8,467

Other non-cash changes includes the effect of translating debtors and creditors stated in foreign currencies

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
(2) Reconciliation of net cash flow to movements in net funds		
Increase/(decrease) in cash and short term deposit at bank	5,045	3,328
Finance leases	227	(597)
Translation difference	-	30
Movement in net funds in the year	5,272	2,761
Net funds at beginning of year	4,889	2,128
Net funds at end of year	10,161	4,889

Analysis of changes in net funds

	1 January 2009	Cash flows	Other non-cash changes	31 December 2009
Net cash	£'000	£'000	£'000	£'000
Cash	1,458	673	-	2,131
Short term deposit at bank	4,028	4,372	-	8,400
	5,486	5,045	-	10,531
Debt				
Finance lease agreements	(597)	-	227	(370)
Net funds	4,889	5,045	227	10,161

The notes on pages 13 – 28 form part of these financial statements

1. Accounting policies

Basis of accounting
The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed asset and current asset investments and in accordance with the Companies Act 2006 as applied to Limited Liability Partnerships and applicable accounting standards in the United Kingdom The financial statements have also been prepared in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in 2006 The principal accounting policies, which have been applied consistently throughout the year, 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 Investment Management Services LLC All significant inter-company accounts and transactions have been eliminated upon consolidation As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements as permitted by section 408 of the Companies Act 2006 Uniform accounting policies are adopted throughout the group

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

Where a trading transaction is covered by a related or matching forward contract, the rate of exchange specified in the contract is used

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 year 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 (UK and USA) 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 year, exclusive of Value Added Tax

Performance fees for investment advisory services are calculated on the relevant out-performance compared to an agreed designated benchmark index The fee is calculated as an amount equal to an agreed percentage of the amount, if any, by which the change in the value of an account exceeds the benchmark change, each in respect of the relevant period of review In some cases the period of review is the initial three years from the date an account is first managed, thereafter annually on a rolling three year basis 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 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 year

Employee Incentive Benefit Plan (EIBP)

The Group has created the EIBP for Group employees and members Payments made to the plan in respect of awards to certain employees and members are recognised as assets and liabilities of the Group in accordance with UITF 32 and 38 until such assets vest, subject to plan rules, to the identified beneficiary

Finance leases

Assets held under finance lease agreements are capitalised and disclosed under tangible fixed assets at the present value of the minimum lease payments They are depreciated over the lower of the useful lives and the term of the lease The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account over the life of the lease

Operating leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term Benefits in the form of rent-free periods are treated as a reduction in the overall rent expense on the lease and, in accordance with UITF 28 "Operating Lease Incentives", are recognised on a straight line basis over the shorter of the lease term or the period up to the initial rental review date

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

Generation Investment Management US LLP is subject to corporate level taxes levied by New York City, its place of business, based on profits for the financial year

Deferred tax in relation to Generation Investment Management US LLP is recognised, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised Deferred tax is measured at the tax rates that are substantively enacted at the balance sheet date and expected to apply in the periods in which the temporary differences reverse

Tangible fixed assets

Tangible fixed assets are stated at the lower of cost or valuation less depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

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
Fittings and furnishings	-	20 % & 33 1/3 % straight line per annum
Leasehold premises	-	over the length of the lease

Fixed asset investments

Fixed asset investments are financial assets held for continuing use in the business and include investments in Generation funds, shares in subsidiary undertakings and equity securities Fund investments and equity securities are held at fair value through profit or loss and are stated at market value in accordance with market practice and profits and losses on revaluation are taken to the profit and loss account as unrealised Generation uses the most appropriate method to determine the fair value of unquoted entities and equity related securities Valuation methods may include the use of recent transaction prices, applying an earnings multiple to maintainable earnings or using a discounted cashflow model 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 financial asset investments held for continuing use in the business Marketable securities are classified as held at fair value through profit or loss and are stated at market value in accordance with market practice, profits and losses arising from revaluation are taken to the profit and loss account as unrealised

Current assets
Current assets include receivables which are non-derivative financial assets with fixed or determinable payments not quoted on an active market The Group and LLP's current assets comprise trade and other receivables and cash and cash equivalents in the balance sheet

An assessment is made at each balance sheet date whether there is objective evidence that a financial asset is impaired

Allocation of profits and drawings
A member's share in the profit or loss for the year 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 deducted from capital Unallocated profits and losses are included in "other reserves" within members' other interests

2. Turnover

The turnover and profit are attributable to the principle activity of the Group

An analysis of turnover is given below

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
United Kingdom	27,856	15,593
United States	18,192	3,739
	46,048	19,332

3. Other operating income

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Rents receivable	102	-

4. Operating profit

Operating profit is stated after charging

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Depreciation of own fixed assets	152	66
Depreciation of assets held under finance lease agreements	239	239
Auditors' remuneration		
- fees payable to partnership's auditor for the audit of partnership and consolidated accounts	44	34
- the audit of partnership's subsidiaries pursuant to legislation	20	14
- non-Audit services	212	245
Loss on disposal of fixed assets	7	84
Operating lease costs – land and buildings	1,238	638
Foreign exchange loss	98	131

5. Taxation

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Current tax		
Foreign current tax	246	-
Deferred tax		
Origination of timing differences		
Foreign deferred tax	181	-
Tax on profit on ordinary activities	427	-

The tax for the period is lower (2008 lower) than the standard rate of tax for the year ended 31 December 2009 as the Group is not subject to UK corporation tax However, foreign subsidiary undertakings are subject to local corporate taxes largely arising on profits for the financial year as shown below

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Foreign corporate tax arising on foreign profits	232	-
Other foreign tax	14	-
Total current tax	246	-

6. Employees and remuneration

The average monthly number of employees and salaried member of the Group during the financial year amounted to

	Year ended 31 December 2009 Number	Year ended 31 December 2008 Number
Number of employees	30	24
The aggregate of payroll costs of staff were	£'000	£'000
Wages and salaries	6,249	4,218
Social security costs	741	475
Other pension costs	306	285
	7,296	4,978

7. Tangible fixed assets – the Group

	Leasehold premises £'000	Fittings and furnishings £'000	Office equipment £'000	Total £'000
COST				
At 1 January 2009	78	733	372	1,183
Additions	601	128	77	806
Disposals	-	(26)	-	(26)
At 31 December 2009	679	835	449	1,963
DEPRECIATION				
At 1 January 2009	8	242	278	528
Charge for the year	58	267	66	391
Disposal	-	(15)	-	(15)
At 31 December 2009	66	494	344	904
NET BOOK VALUE				
At 31 December 2009	613	341	105	1,059
At 31 December 2008	70	491	94	655

Tangible fixed assets – the LLP

	Leasehold premises £'000	Fittings and furnishings £'000	Office equipment £'000	Total £'000
COST				
At 1 January 2009	78	733	326	1,137
Additions	-	20	77	97
At 31 December 2009	78	753	403	1,234
DEPRECIATION				
At 1 January 2009	8	242	248	498
Charge for the year	8	247	68	323
At 31 December 2009	16	489	316	821
NET BOOK VALUE				
At 31 December 2009	62	264	87	413
At 31 December 2008	70	491	78	639

Included within the group net book value of £1,059,000 (£413,000 - LLP) is £239,000 (2008 £478,000) relating to assets held under finance leases The depreciation charged to the financial statements in the year in respect of such assets amounted to £239,000 (2008 £239,000)

8. Fixed asset investments – the Group

Investments in Generation funds and investments

	2009			2008		
	Generation funds	Investments	Total	Generation funds	Investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At start of year	1	-	1	13	-	13
Additions	-	2,204	2,204	893	-	893
Disposals	-	-	-	(885)	-	(885)
Revaluation on currency translation	-	-	-	-	-	-
Unrealised (loss)/gain on investments	4	-	4	(20)	-	(20)
At end of year	5	2,204	2,209	1	-	1

Fixed asset investments – the LLP

Shares in subsidiary undertakings and investments

	2009			2008		
	Subsidiary undertakings	Investments	Total	Subsidiary undertakings	Investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At start of year	1,799	-	1,799	1,799	-	1,799
Additions	-	2,204	2,204	-	-	-
At end of year	1,799	2,204	4,003	1,799	-	1,799

Shares in subsidiary undertakings represent the LLP's 99 9% investment in Generation Investment Management US LLP which in turn has a 100% investment in Generation Investment Management Services LLC which holds the remaining 0 01% investment in Generation Investment Management US LLP Generation Investment Management US LLP's principal activity is investment management and Generation Investment Management Services LLC, whose principal activity is that of a services company are incorporated in the USA Investments represent a minority holding in New Forests Pty Limited The members believe that the carrying value of the investments is supported by their underlying net assets

9 Current asset investments – the Group

	2009 £'000	2008 £'000
At start of year	4,914	2,603
Additions	978	2,533
Revaluation on currency translation	(50)	216
Unrealised gain /(loss) on investments	826	(438)
At end of year	6,668	4,914

Current asset investments – the LLP

	2009 £'000	2008 £'000
At start of year	4,364	1,999
Additions	956	2,529
Unrealised gain /(loss) on investments	598	(164)
At end of year	5,918	4,364

Current asset investments comprise investments in sterling liquid money market funds and investment on behalf of the EIBP, details of which are given in note 13 The money market funds are used as diversification vehicles for holding short term operating cash and are valued at par, £2 9m (2008 £2 1m) Assets held by the EIBP are restricted in their use by the Group and LLP The members believe that the carrying value of the investments is supported by their underlying net assets

10. Debtors

	2009 The Group £'000	2009 The LLP £'000	2008 The Group £'000	2008 The LLP £'000
Trade debtors	-	-	44	-
VAT recoverable	90	90	101	101
Other debtors	2	5,359	511	2,450
Deferred award	524	502	502	499
Prepayments and accrued income	12,080	6,564	3,649	2,392
	12,696	12,515	4,807	5,442

There are no trade debtors as at 31 December 2009 Trade debtors as at 31 December 2008 of £0 04m were less than 3 months past due and were not considered impaired Included in other debtors (LLP) is £5 4m (2008 £2 4m) being amounts due from group undertakings

11. Creditors: Amounts falling due within one year

	2009 The Group £'000	2009 The LLP £'000	2008 The Group £'000	2008 The LLP £'000
Trade creditors	365	228	418	158
PAYE and social insurance	1,440	1,440	126	126
Amounts due under finance leases	255	255	239	239
Other creditors	4,969	4,857	54	54
Accruals and deferred income	919	833	1,885	1,839
	7,948	7,613	2,722	2,416

12. Creditors: Amounts falling due after more than one year

	2009 The Group £'000	2009 The LLP £'000	2008 The Group £'000	2008 The LLP £'000
Amounts due under finance leases	115	115	358	358

Finance lease commitments	2009	2008
Future minimum payments under finance leases are as follows	£'000	£'000
Within one year	255	239
In more than one year, but not more than five years	115	358
	370	597

13. Provisions for liabilities

The Group	Employee incentive benefit plan £'000	Deferred tax £'000	VAT £'000	Total £'000
At 1 January 2009	2,977	-	-	2,977
Movement in year	1,043	176	100	1,319
At 31 December 2009	4,020	176	100	4,296

The LLP	Employee incentive benefit plan	VAT	Total
	£'000	£'000	£'000
At 1 January 2009	2,427	-	2,427
Movement in year	842	100	942
At 31 December 2009	3,269	100	3,369

Employee Incentive Benefit Plan
Provisions for liabilities consist of amounts due to employees by the EIBP of £3 7m and National Insurance on the awards under the EIBP of £0 3m The first redemption under the EIBP took place on 1 February 2010

VAT
A provision is recognised in respect of certain investment management fees which may be considered to be subject to VAT The provision represents management's assessment of the VAT and associated charges that may fall on the Group

Deferred tax
The charge to tax, which arises in Generation Investment Management US LLP included within these financial statements, is

	The Group 2009	The Group 2008	The LLP 2009	The LLP 2008
	£'000	£'000	£'000	£'000
Provision for deferred tax comprises -				
Short-term timing differences	176	-	-	-
Deferred tax provision	176	-	-	-

14 Employee Incentive Benefit Plan

The plans are designed to give certain employees and members an investment interest in the Generation managed investment funds On the closure of the plan the value of these interests in the funds will be realised and payments will be made in respect of the value of those interests at the time

Generation provides two separate Employee Incentive Benefit Plans

Generation IM Global Equity Plan

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

Generation IM Climate Solutions Plan

- For certain UK employees and US citizen employees the LLP has invested directly in the Generation IM Climate Solutions Fund, L P , feeder funds

Member and employee interests in the plans are set out in award letters to participants The awards represent awards of units or financial interests in Generation IM Funds The number of units comprised in an award or the financial interest depends on the member's or employee's level of seniority at the grant date

The aggregate capital provided to the Employee Incentive Benefit Plan amounted to £2 3m (2008 £2 2m)

Terms and conditions of the awards 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 may be made in respect of the value of the awards

15. Related party transactions

The Group is appointed as the investment manager of Generation IM Global Equity Fund LLC, Generation IM Fund PLC, including its sub fund Generation IM Global Equity Fund and Generation IM Climate Solutions Fund, L P The Group also has an interest in Generation IM Climate Solutions SLP, L P , a vehicle formed to account for the carried interest due to the investment manager The Group was previously appointed as the investment manager for the Generation IM Global ex-US Equity Fund LLC which was wound up during 2008

Generation IM Global Equity Fund is a related party as three group members are directors of Generation IM Fund PLC

Generation IM Global Equity Fund LLC is a related party as a group member serves as Organisational Member of the Fund

Generation IM Climate Solutions Fund, L P is a related party as six group members and a group employee serve as directors of Generation IM Climate Solutions GP, Ltd

The Group holds 19,219 140 (2008 16,205 098) shares in Generation IM Global Equity Fund, along with 11,238 530 (2008 11,428 225) shares held by Halifax EES Trustees International Ltd (as trustees for the Group's EIBP) in respect of certain UK members and employees, interests amounting to £0 8m (2008 £0 6m) invested in Generation IM Global Equity Fund LLC on behalf of certain US members and employees, and committed interests called of £0 2m (2008 £0 1m) in Generation IM Climate Solutions Fund, L P on behalf of certain UK and US employees, all in connection with the Group's EIBP (see note 13 and 14)

As investment manager, the Group has earned income during the year from related parties as follows

	Total Income for year ended		Accrued Income as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	£'000	£'000	£'000	£'000
Generation IM Global Equity Fund	9,347	4,260	3,394	1,203
Generation IM Global Equity Fund LLC	4,743	2,131	1,124	846
Generation IM Global ex-US Equity Fund LLC	-	11	-	-
Generation IM Climate Solutions Fund, L P	5,221	4,037	-	-

An agreement is in place between Generation Investment Management US LLP and Caney Fork River LLC to sublease office space with effect from 15 March 2009 A group member is also a member of Caney Fork River LLC Under the sublease arrangement the Group earned income during the year as follows

	Total Income for year ended		Accrued Income as at	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	£'000	£'000	£'000	£'000
Caney Fork River LLC	102	-	10	-

16. Controlling party

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

17. Information in relation to members

	Year ended 31 December 2009	Year ended 31 December 2008
	Number	Number
Average number of members during the year	9	7
	£'000	£'000
One partner drew a salary amounting to	-	409
Profit/(loss) for the year attributable to members	£'000	£'000
The Group	31,578	8,595
The LLP	29,127	9,686

18. 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 Group's operations expose it to a variety of financial risks market risk (including price risk, cash flow interest rate risk and foreign exchange risk), credit risk, liquidity risk and operational risk

Market risk

i *Price risk*

Investments in the Funds made by the Group for the purposes of the EIBP are held solely as investments to fund payments to employees on the maturity of the EIBP The Group has made no commitment as to the value of the investments at pay out Such assets are held at fair value through profit or loss

Investment in the Generation IM Global Equity Fund LLC and the Generation IM Global ex-US Equity Fund LLC (which was fully redeemed during 2008) made to seed the Funds and establish capital accounts will be redeemed when the fund grows in size or when the Funds are fully redeemed These assets are held at fair value through profit or loss

The Group invests surplus cash balances in daily liquidity money market funds with various financial institutions The Group monitors its exposure to market risk by periodically assessing the quality of the underlying investments of the fund These assets are held at fair value (which is generally par) through profit or loss The Group does not rely on interest from money market funds for operating purposes

ii *Interest rate risk*

The Group holds cash at banks and on deposit with banks and other financial institutions Interest on these balances is based upon fixed rates and floating rates The Group monitors its exposure to interest rate movements and may decide to adjust balances between deposits on fixed or floating rates The Group does not rely on interest from banks for operating purposes

iii *Foreign exchange risk*

The Group is exposed to foreign exchange risk as the bulk of its liabilities are in sterling but management and performance fees are predominately calculated and paid in foreign currencies The Group monitors its exposure to currency risk and seeks to minimise its exposure to fluctuations in exchange rates by hedging against foreign currency exposures

Credit risk

Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposure to clients, including outstanding receivables and committed transactions

The Group monitors exposures to all financial institutions These exposures are subject to review by the ROG

The Group has two main types of receivables, management and performance fees and settlement due from investors in the Funds and separate accounts For management and performance fees receivables, the Group proactively manages the billing process to ensure invoices are sent out on a timely basis and payment is monitored and followed up to ensure timely receipt The quality of clients and their ability to honour commitments is considered during the client take-on process

During the year there have been no losses due to the non-payment of receivables or the failure of clients to meet fund commitments and the Group does not expect any losses from the credit counterparties held as at the balance sheet date

Liquidity risk

Prudent risk management requires the maintenance of sufficient cash balances to ensure the operational expenses of the Group can be met The Group monitors rolling forecasts of the liquidity reserves on the basis of expected cash flow

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 As part of the monitoring process the LLP prepares an annual assurance report on the internal controls employed by Generation Investment Management LLP, which is reviewed by its auditors In addition the Group employs external compliance consultants to monitor the Group's regulatory compliance

Capital risk

The Group's objective when managing capital is to ensure the Group meets its regulatory capital requirements and its ability to continue as a going concern and to maintain an optimal structure to reduce the cost of capital

Fair value estimation

With effect from 1 January 2009, the Group adopted the amendment to FRS 29 for financial instruments that are measured in the balance sheet at fair value This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

	Level 1	Level 2	Level 3	Total balance
	£'000	£'000	£'000	£'000
Assets				
Financial assets held at Fair Value through profit or loss				
-Equity securities	3,581	165	2,204	5,950
Total assets	3,581	165	2,204	5,950

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis The quoted market price used for financial assets held by the Group is the current bid price These instruments are included in level 1

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2

If one or more of the significant inputs is not based on observable market data, the instrument would be included in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2009

	£'000
Opening balance	-
Additions	2,204
Closing balance	2,204

Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period

19. Reconciliation of movement in members' interests for the year to 31 December 2009

The Group

	Members' capital	Foreign exchange reserves	EIBP gift reserve	Other reserves	TOTAL	Loans & other debts due to members	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Members' interest							
At 1 January 2009	5,498	962	491	2,855	9,806	-	9,806
Profit for the financial year available for division among members	-	-	-	31,513	31,513	-	31,513
Members' interest after profit for the year	5,498	962	491	34,368	41,319	-	41,319
Capital introduced	2,000	-	-	-	2,000	-	2,000
Foreign exchange loss	-	(735)	-	-	(735)	-	(735)
Additional gift amount	(178)	-	178	-	-	-	-
EIBP gift expense	-	-	(245)	245	-	-	-
Drawings	-	-	-	(21,780)	(21,780)	-	(21,780)
Members' interest							
At 31 December 2009	7,320	227	424	12,833	20,804	-	20,804

The LLP

	Members' capital	EIBP gift reserve	Other reserves	TOTAL	Loans & other debts due to members	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Members' interest						
At 1 January 2009	7,316	875	4,287	12,478	-	12,478
Profit for the financial year available for division among members	-	-	28,886	28,886	-	28,886
Members' interest after profit for the year	7,316	875	33,173	41,364	-	41,364
Capital introduced	2,000	-	-	2,000	-	2,000
Additional gift amount	(156)	156	-	-	-	-
EIBP gift expense	-	(241)	241	-	-	-
Drawings	-	-	(21,281)	(21,281)	-	(21,281)
Members' interest						
At 31 December 2009	9,160	790	12,133	22,083	-	22,083

20. Commitments under operating leases

	2009		2008	
Annual commitments	The Group £'000	The LLP £'000	The Group £'000	The LLP £'000
Land and buildings				
Operating leases which expire				
Within 1 year	1,436	814	1,384	814
Within 2 to 5 years	1,456	814	1,499	814
After 5 years	1,488	814	1,588	814
Other operating leases				
Operating leases which expire				
Within 1 year	21	19	21	19
Within 2 to 5 years	21	19	21	19

On 17 December 2007 the LLP entered into an agreement to lease in respect of a new office in London The lease became effective on practical completion of the property, 15 April 2008 The lease expires on 15 April 2018 The rental payments are £0 8m per annum and commenced 28 January 2009

Of the rent free period accrual on the new office an amount of £0 1m relates to 2009

On 15 April 2008 the US LLP entered into an agreement to lease in respect of a new office in NYC The lease became effective from the Commencement Date of 15 March 2009 The lease expires on 28 February 2019 The rent is approximately £0 6m pa with a review at the end of year 5 The above figures are estimated using the sterling/dollar rate at 31 December 2009