

generation__



GENERATION INVESTMENT MANAGEMENT LLP

MEMBERS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

PARTNERSHIP REGISTRATION NUMBER: OC307600

WEDNESDAY



S6DG79AO

SCT

23/08/2017

#299

COMPANIES HOUSE

MISSION AND CORE VALUES

MISSION

- To deliver superior investment performance by consistently taking a long-term view and fully integrating sustainability research within a rigorous framework of traditional financial analysis. Delivering outstanding investment results will also achieve our goal of proving the business case for Sustainable Capitalism.*
- To create long-term client partnerships by delivering unique investment insights and exceptional client service.
- To attract, retain and develop the best professionals within a passionate investment culture and with whom we share a commitment to Our Values.

COMMITMENT TO CLIENTS

We are committed to providing exceptional client service – above all by delivering superior long-term performance – and by ensuring that our interests are fully aligned with those of our clients.

INTEGRITY

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

EXCELLENCE AND INNOVATION

We aim for excellence in all that we do, and ensure that our investment processes encourage rigorous research, curiosity and continuous learning. We believe interdisciplinary, diverse teams are the most likely to yield new insights and produce the best results for our clients over the long-term.

TEAMWORK

Teamwork underpins our one-firm culture. We consider each of the women and men with whom we work as individuals entitled to respect and dignity, and we recognise and reward their contributions on the basis of merit.

COMMUNICATION

Effective communication is critical to teamwork and to our relationships. We encourage and especially value hearing different viewpoints and respectful challenges to consensus opinions.

DIVERSITY

Diversity, in the broadest sense, helps drive our success. A welcoming work environment, where individuals can bring the totality of their experience and perspectives, is an invaluable contributor to greater economic success.

SUSTAINABILITY RESEARCH

Our investment philosophy, which integrates sustainability research with traditional financial analysis, affords us the highest opportunity to deliver outstanding investment results.

INDEPENDENCE

We have chosen an independent broad-based employee-owned partnership as an enduring business model. Similarly, we are committed to remaining a boutique investment firm focused on continual improvement in our performance.

RESPONSIBLE CITIZENSHIP

We recognise and accept 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. We aim to reduce our environmental footprint where possible; we are mindful of ways to help our employees fulfil their personal responsibilities; and we actively encourage philanthropic engagement.

SUSTAINABLE CAPITALISM

Through engagement with our clients, our portfolio companies and the broader financial markets, we strive to promote a more sustainable form of capitalism. The Generation Foundation is an important element of this work.

CONTENTS

MEMBERS AND PROFESSIONAL ADVISORS	3
MEMBERS' REPORT	4
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENERATION INVESTMENT MANAGEMENT LLP	9
CONSOLIDATED INCOME STATEMENT	11
CONSOLIDATED BALANCE SHEET	12
PARTNERSHIP BALANCE SHEET	13
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	14
PARTNERSHIP STATEMENT OF CHANGES IN EQUITY	15
CONSOLIDATED STATEMENT OF CASH FLOWS	16
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	17

MEMBERS AND PROFESSIONAL ADVISORS

The Partners who served the Partnership during the year and up to the date of signing the financial statements were as follows::

DESIGNATED MEMBERS AND PROFESSIONAL ADVISORS

Designated members:

D W Blood
P M Harris

Other members:

L Anderson
T J Arnold
D J Austin
R D Beaumont
M K Bray
J L Curtis
K Dicker
B P Dineen
M Ferguson
E Gilmore
A A Gore
P I Harris
P Jain
V Jain
P S Knight
N Kukrika
C M le Duc
D M Lowish
A M Marshall
M K McBrinn
H A Mehn
M C Mills
A A Monappa (Resigned 31 March 2017)
M R Nogales
L M Preston
R Rajeswaran
M J Ramsay
N N Rosinski
G S Wasserman
L Wollman (Appointed 1 January 2017)
Z Yin

Registered office and business address:

20 Air Street
London
W1B 5AN

Independent auditors:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

MEMBERS' REPORT

The members have pleasure in presenting their report and the audited consolidated financial statements of Generation Investment Management LLP ("Generation", "Partnership" or "LLP") and its subsidiaries (together the "Group") for the year ended 31 December 2016.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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

The Group is dedicated to the principles of long-term investing, integrated sustainability research and client alignment. Its principal activity is the provision of investment management services to institutional clients and other sophisticated investors.

The Partnership is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Although the Partnership is not registered with the U.S Securities and Exchange Commission ("SEC") as a Registered Investment Advisor, it files reports as an Exempt Reporting Adviser. The Partnership's subsidiary, Generation Investment Management US LLP ("US LLP"), is registered with the SEC as a Registered Investment Advisor.

OFFICE OUTSIDE THE UK

The Group continues to operate an office in Spain for a limited range of activities.

RESULTS FOR THE YEAR AND ALLOCATION TO MEMBERS

The profit for the year available for discretionary division to members was £142.5m (2015: profit of £101.3m).

Net assets attributable to members as at 31 December 2016 were £87.9m (2015: net assets of £71.2m).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations expose it to a variety of financial risks the most significant of which are credit and operational risk. These are explored in more detail in note 17 to the financial statements. In accordance with the rules of the Financial Conduct 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 designed to provide comprehensive controls and ongoing management of its principal risks.

DESIGNATED MEMBERS

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

- > D W Blood
- > P M Harris (16 August 2004)

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 a range of factors including the anticipated liquidity requirements of the LLP and the relevant member shares.

Distributions may be paid net of a tax retention which is released to members to pay tax as required. The balance of tax retained from members is shown within Amounts due to members in note 18. A member may at any time and with the agreement of the Management Committee make a further contribution to the LLP by way of equity or debt. Repayment of members' capital is made at the discretion of the Management Committee.

CAPITALISATION

The current level of capital is considered to be sufficient to permit Generation to meet its business and regulatory requirements.

EMPLOYEE INCENTIVE BENEFIT PLAN (EIBP)

The Group promotes the alignment of employee interests with those of its clients. The Group operates an Employee Incentive Benefit Plan to further this alignment. Generation has set aside a provision of £5.4m (2015: £6.6m) in relation to deferred remuneration for members and employees. During the year £1.2m of the provision was unwound (2015: £0.8m was provided for). This unwinding represents the difference between awards that were settled and the amortisation of new or existing awards. Generally, and subject to the EIBP 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.

FCA REMUNERATION CODE DISCLOSURES

In accordance with the rules of the Financial Conduct Authority, it is the intention of the members to comply with the FCA Remuneration Code disclosures. This information is available at www.generationim.com.

GOVERNANCE & RISK

The Senior Partner, together with the other members of the Management Committee are responsible for the supervision of the firm with regards to its actions in meeting its Mission and values. The Senior Partner has specific responsibility for ensuring the firm has an effective organisational structure which is consistent with its goals and objectives. In conjunction with the Management Committee he is tasked with developing the firm's strategic direction and protecting its culture and values. The Management Committee is Generation's senior management body. Its primary responsibility is to prepare and execute on the firm's business plans. Other key functions include monitoring the performance of the Senior Partner, ensuring the adequacy of the firm's risk management arrangements, agreeing the remuneration arrangements of the staff and members and conducting oversight of the investment committees of Generation's investment strategies. The Management Committee is supported by a sub-committee structure, comprising – a Risk Oversight Group ("ROG"), Valuation Oversight Group and a Remuneration Committee. These sub-committees consider in detail the various core activities of the firm and make recommendations, as appropriate, to the Management Committee.

In particular, the Management Committee have delegated the oversight of the firm's risk management arrangements to the ROG. The ROG is the senior governance body with the responsibility for ensuring there are suitable and adequate internal financial controls and risk management systems in place (including those required by Alternative Investment Fund Managers Directive) and ensuring that Generation performs an assessment and evaluation of the risks facing the firm and the control procedures to manage these risks. The Management Committee has instructed the Risk Oversight Group (ROG) to provide focused support, oversight and governance on all risk matters. In this role, Generation considers the ROG to be functionally independent in its oversight.

Where the ROG identifies material matters in respect of its responsibilities and duties, and considers action or improvement is needed, it makes such recommendations as appropriate to the Management Committee. During 2016, the ROG met on seven occasions.

Generation has an internal risk function which reports to the ROG and has responsibility to ensure the firm's systems and controls are regularly reviewed to determine whether such arrangements remain effective and appropriate in respect to the risks faced by the firm. In addition, compliance monitoring programs are conducted by independent compliance consultants, who report to the ROG.

The members of Generation instruct the preparation of an annual Report on Internal Controls in accordance with guidelines from the International Auditing and Assurance Standards Board (ISAE 3402) and the Institute of Chartered Accountants of England and Wales (AAF 01/06). The report sets out our key control objectives and the processes and procedures deployed in achieving them. We are pleased to note that the 2016 report contained a positive opinion on the appropriateness and operation of our key controls. The Report is made available to Generation's clients upon request.

PEOPLE

Generation's governance structures and organisation provide the foundation for the business to operate, however, it is our people who create sustainable value through the execution of our Mission and investment objectives. Our success is dependent upon being able to attract, retain and develop the best professionals within a passionate investment culture and with whom we share a commitment to Our Values. We have designed our Culture, Incentive Structures and Workplace to provide an environment which encourages:

- > collaboration between highly-skilled professionals;
- > personal fulfilment from succeeding, learning and developing in challenging roles, and
- > delivering meaningful results to our clients in a way that fulfils our Mission while maintaining our values and ensuring that our own interests are aligned with our clients.

Culture: Generation has developed a strong client-aligned, performance-driven, learning-oriented culture that encourages teamwork, excellence, creativity, diversity, fairness, professional development, openness and integrity. We are proud of our culture and we believe it will be a key driver to our long-term success. We have tried to be *thoughtful and deliberate in its development and work hard to maintain and reinforce it.*

Incentive Structures: Generation's incentive structures are designed to align our interests with those of our clients in seeking to deliver a superior long-term investment performance. In addition to the remuneration component of our incentive structure, we provide a number of benefits aimed at looking after the health and well-being of team members and their families, now and into the future. Included in this are employer-pension contributions, health, travel and life insurance, health assessments, subsidised gym membership, flexible working arrangements and *generous maternity/paternity provisions.*

Workplace: We aim to create a productive, safe and healthy work environment. We have been thoughtful about the design of our working environment. Our offices include an open-plan office space, meeting rooms, and communal eat-in-kitchens with a wide range of complementary healthy-eating options provided. In addition, our London facility has cycle-racks, a quiet room and shower facilities.

ENVIRONMENTAL IMPACT

As a firm we seek to reduce the direct negative environmental impacts of our activities, and influence the indirect negative impacts through our sourcing, usage, and offsetting decisions. The largest impacts materialise through our offices and business travel.

The selection of our offices remains our most significant sourcing choice. Both of our current offices in London and New York were originally purpose-built with sustainability in mind.

In London, our office at 20 Air Street was built by The Crown Estates to the highest standards in energy performance, achieving the "Excellent" rating by BREEAM (Building Research Establishment Environmental Assessment Method). A proportion of energy and heat is sourced from advanced fuel cell technology, photovoltaic cells, thermal stores and combined cooling, heat and power units. In addition to a rainwater harvesting system, an intelligent lighting system was installed to maximise natural light and reduce energy wastage.

Generation commissioned an office fit-out designed to further minimise the environmental impact of its operation and achieved a RICS (Royal Institute of Chartered Surveyors) Gold SKA rating. Technologies implemented included a personalised energy feedback systems, heat recovery processes, low VOC paints, and the use of sustainability certified or recycled wood wherever possible.

Our New York office at One Bryant Park is one of the most energy efficient, ecologically friendly buildings in New York City. In addition, the building received a Platinum LEED (Leadership in Energy and Environmental Design) certification for Commercial Interior Design. It was the first skyscraper in New York City to achieve a Platinum LEED certification for environmental excellence.

As well as being conscious of the environmental impacts of the structure and design of our work place we are also concerned about the effects these can have on our staff. In conjunction with The Crown Estates we are participating

in a study designed to increase our understanding of the relationship between the performance of buildings and performance of people. This study will give us an opportunity to measure the outcomes of the programs we have initiated around wellbeing and our office space and provide a guide for further improvements.

Other business-related sourcing decisions include local travel and office supplies, and we source environmentally-friendly suppliers for these wherever possible.

However, our largest impact arises from business air travel. While we regard travel as a necessary part of our business for investment and client-service purposes, we encourage our team to evaluate their travel arrangements deploying efficient travel itineraries and where possible use alternate forms of communication such as video and teleconference facilities.

As a firm, we are committed to offsetting what we see as the unavoidable carbon emissions arising from Generation's business activities. On an annual basis, we calculate our emissions from electricity use, commuting and business travel, and also the footprint generated by Generation team members and their families in the course of their personal lives. The members and staff of Generation have a say in the nomination of appropriate carbon off-set projects.

ADVOCACY

Generation is committed to pursuing a more sustainable form of capitalism. A key part of that commitment is achieved through The Generation Foundation, the advocacy initiative funded by an annual distribution from the firm. The Foundation's key objective is to accelerate the transition to a more sustainable form of capitalism; one aligned with a low-carbon, prosperous, equitable, healthy and safe society.

It executes its mission by sharing insights, forming partnerships to deliver research, and deploying catalytic capital. In 2016, the Foundation identified three strategic priorities for the advancement of a more sustainable form of capitalism, and focused its work to align with the three priorities:

- > Use sustainability analysis to enhance investment frameworks
- > Accelerate the transition to a low carbon economy by assessing carbon risk and pricing carbon in all capital allocation decisions
- > Overcome structural barriers to a sustainable economy by upholding the full remit of fiduciary duty and exploring the role of corporate form in sustainable capitalism

Work included major partnerships, such as the Foundation's work with 2 Degrees Investing Institute to use quantitative analysis to examine the beneficial effects of long-termism in capital markets; and its work with Ecofys to analyse carbon productivity along value chains. Another key piece of generation's work is catalytic capital to build capacity for organisations doing crucial work for the advancement of sustainable capitalism.

The smaller grant-making activity is driven by input from Generation employees to support sustainability projects globally. Grants in 2016 included Theatre for a Change, an organisation that empowers vulnerable women and girls using interactive and participatory programmes. The Foundation also matches charitable gifts made by Generation employees to eligible charities.

STATEMENT OF MEMBERS' RESPONSIBILITIES

The members are responsible for preparing the strategic report and the members' report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit)(Application of Companies Act 2006) Regulations 2008 ("the Regulations") 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. Under the Regulations, the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). In preparing 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 United Kingdom Accounting Standards, including FRS 102 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 Regulations, subject to any material departures disclosed and explained in the financial statements. 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 designated members are aware, there is no relevant audit information of which the LLP's auditors are unaware. The designated members have taken all the steps they ought to have taken as designated 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.

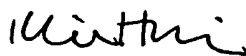
INDEPENDENT AUDITOR

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

Registered office:

20 Air Street
London
W1B 5AN

Signed on behalf of the members



P M Harris
Designated member

Approved by the Members on 3 April 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GENERATION INVESTMENT MANAGEMENT LLP

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, Generation Investment Management LLP's financial statements (the "financial statements"):

- > give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2016 and of its profit and cash flows 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 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

WHAT WE HAVE AUDITED

The financial statements, included within the Members' Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- > the Consolidated and Partnership Balance Sheets as at 31 December 2016;
- > the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- > the Consolidated Statement of Cash flows for the year then ended;
- > the Consolidated and Partnership Statements of Changes in Equity for the year then ended; and
- > the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- > we have not received all the information and explanations we require for our audit; or
- > adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- > the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE MEMBERS

As explained more fully in the Statement of Members' Responsibilities set out on page 8, the members 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the partnership as a body 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 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.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES


We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- > whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- > the reasonableness of significant accounting estimates made by the members; and
- > the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Siobhan Byrne (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 April 2017

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December 2016	Year ended 31 December 2015
	Note	£'000	£'000
Turnover	2	180,055	126,056
Administrative expenses		(32,016)	(26,457)
Other operating income	3	396	396
Operating profit	4	148,435	99,995
Dividend income		-	1,088
Interest receivable		97	75
Unrealised gain on investments and derivatives		241	3,566
Realised gain on investments		735	-
Profit on ordinary activities before taxation		149,508	104,724
Tax on profit on ordinary activities	5	(6,980)	(3,400)
Profit for the financial year available for discretionary division among members		142,528	101,324

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December 2016	Year ended 31 December 2015
	Note	£'000	£'000
Profit for the financial year available for discretionary division among members		142,528	101,324
Translation gain/ (loss) on consolidation of foreign subsidiaries		845	(1,098)
Total Comprehensive Income		143,373	100,226

All of the activities of the Group are classed as continuing.

As permitted by Section 408 Companies Act 2006 (as modified for application to LLPs) the LLP is exempt from presenting its own Income Statement. The profit of the LLP for the financial year amounted to £129.6 m (2015: £90.1m).

The notes on pages 17–33 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 December 2016	As at 31 December 2015
	Note	£'000	£'000
Fixed assets			
Tangible assets	7	2,952	2,900
Investments	8	11	6,775
		2,963	9,675
Current assets			
Debtors	10	44,177	40,150
Derivative financial instruments	11	-	2
Investments	9	37,519	28,122
Cash at bank and in hand		26,422	9,905
		108,118	78,179
Creditors: amounts falling due within one year	11,12	(17,575)	(9,669)
Net current assets		90,543	68,510
Total assets less current liabilities		93,506	78,185
Provisions for liabilities	13	(5,587)	(6,937)
Net assets attributable to members		87,919	71,248
Represented by:			
Members' other interests			
Members' capital	18	14,180	14,098
Foreign exchange reserves	18	(707)	(1,552)
Other reserves	18	40,870	52,587
		54,343	65,133
Total members' interests			
Amounts due to members	18	33,576	6,115
Members' other interests	18	54,343	65,133
		87,919	71,248

The financial statements were approved by all members and signed on their behalf by the designated members on 3 April 2017.



D W Blood
Designated member



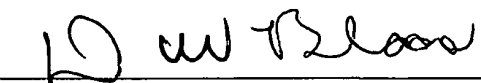
P M Harris
Designated member

The notes on pages 17–33 form part of these financial statements.

PARTNERSHIP BALANCE SHEET

		As at 31 December 2016	As at 31 December 2015
	Note	£'000	£'000
Fixed assets			
Tangible assets	7	2,364	2,287
Investments	8	1,970	8,736
		4,334	11,023
Current assets			
Debtors	10	34,923	46,190
Derivative financial instruments	11	-	2
Investments	9	36,393	27,034
Cash at bank and in hand		24,077	7,403
		95,393	80,629
Creditors: amounts falling due within one year	11,12	(29,599)	(9,284)
Net current assets		65,794	71,345
Total assets less current liabilities		70,128	82,368
Provisions for liabilities	13	(4,727)	(6,244)
Net assets attributable to members		65,401	76,124
Represented by:			
Members' other interests			
Members' capital	18	14,180	16,225
Other reserves	18	17,645	54,548
		31,825	70,773
Total members' interests			
Amounts due to members	18	33,576	5,351
Members' other interests	18	31,825	70,773
		65,401	76,124

The financial statements were approved by all members and signed on their behalf by the designated members on 3 April 2017.



D W Blood
Designated member



P M Harris
Designated member

The notes on pages 17–33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Members' capital	Foreign-exchange reserves	Other reserves	Total
	£'000	£'000	£'000	£'000
Members' interests				
At 1 January 2015	13,188	(454)	26,738	39,472
Profit for the financial year available for discretionary division among members	-	-	101,324	101,324
Other comprehensive expense	-	(1,098)	-	(1,098)
Members' interest after profit for the year	13,188	(1,552)	128,062	139,698
Capital introduced	910	-	-	910
Profit Allocation	-	-	(75,475)	(75,475)
Members' interests				
At 31 December 2015	14,098	(1,552)	52,587	65,133
Members' interests				
At 1 January 2016	14,098	(1,552)	52,587	65,133
Profit for the financial year available for discretionary division among members	-	-	142,528	142,528
Other comprehensive income	-	845	-	845
Members' interest after profit for the year	14,098	(707)	195,115	208,506
Capital introduced	2,142	-	-	2,142
Capital released	(2,060)	-	-	(2,060)
Profit Allocation	-	-	(154,245)	(154,245)
Members' interests				
At 31 December 2016	14,180	(707)	40,870	54,343

The notes on pages 17 –33 form part of these financial statements.

PARTNERSHIP STATEMENT OF CHANGES IN EQUITY

	Members' capital	Other reserves	Total
	£'000	£'000	£'000
Members' interests			
At 1 January 2015	15,315	19,639	34,954
Profit for the financial year available for discretionary division among members	-	90,058	90,058
Members' interest after profit for the year	15,315	109,697	125,012
Capital introduced	910	-	910
Profit Allocation	-	(55,149)	(55,149)
Members' interests			
At 31 December 2015	16,225	54,548	70,773
Members' interests			
At 1 January 2016	16,225	54,548	70,773
Profit for the financial year available for discretionary division among members	-	129,639	129,639
Members' interest after profit for the year	16,225	184,187	200,412
Capital introduced	2,142	-	2,142
Capital Released	(2,060)	-	(2,060)
Transfer	(2,127)	2,127	-
Profit Allocation	-	(168,669)	(168,669)
Members' interests			
At 31 December 2016	14,180	17,645	31,825

The notes on pages 17–33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December 2016	Year ended 31 December 2015
	Note	£'000	£'000
NET CASH FROM OPERATING ACTIVITIES	(i)	144,706	95,609
Tax paid	12	(1,550)	(3,400)
NET CASH GENERATED FROM OPERATING ACTIVITIES		143,156	92,209
Cash flow from investing activities			
Purchase of tangible fixed assets	7	(334)	(484)
Purchase of investments		(1,062)	(742)
Proceeds from the disposal of current investments	9	2,424	513
Proceeds from disposal of fixed assets investments		7,501	-
Interest received		97	75
Dividend income		-	1,088
NET CASH GENERATED IN INVESTING ACTIVITIES		8,626	450
Cash flow from financing activities			
Proceeds from capital introduced by members	18	2,142	910
Drawings paid to members	18	(126,784)	(73,720)
Capital withdrawn by members	18	(2,060)	-
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(126,702)	(72,810)
Unrealised losses/(gains) on exchange rate translations		845	(1,098)
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,925	18,751
Cash at Start of Year	(ii)	31,631	12,880
Cash at End of Year	(ii)	57,556	31,631
Movement		25,925	18,751

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

		Year ended 31 December 2016	Year ended 31 December 2015
	Note	£'000	£'000
Operating profit		148,435	99,995
Depreciation	7	282	394
Increase in debtors	10	(4,027)	(4,680)
Increase/(Decrease) in creditors	12	1,366	(68)
(Decrease) in provisions	13	(1,350)	(32)
Net cash Inflow from operating activities		144,706	95,609

(ii) Reconciliation of cash at bank and in hand to cash and cash equivalents:

		Year ended 31 December 2016	Year ended 31 December 2015
	Note	£'000	£'000
Cash at bank and in hand		26,422	9,905
Short-term deposits (included in current asset investments)	9	31,134	21,726
Cash and cash equivalents		57,556	31,631

The notes on pages 17 –33 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"). The financial statements have also been prepared in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in 2015.

1.2. BASIS OF PREPARATION

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through the consolidated income statement.

1.3. GOING CONCERN

The Group has adequate financial resources and as a consequence, the members believe that the Group is well placed to manage its business risks successfully. After making inquiries, the members have a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.4. CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the LLP and its subsidiary undertakings. All significant inter-company accounts and transactions have been eliminated upon consolidation. A subsidiary is an entity that is controlled by the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The LLP has taken advantage of the exemption in exemption 408 of the Companies Act from disclosing its individual income statement.

1.5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in accordance with FRS 102 requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, equity, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant area of estimation and uncertainty in the consolidated financial statements is in respect of the valuation of investments. The valuation of the Group's current asset investments and provisions are inherently subjective. As a result, the valuations the Group places on its investments are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate and could therefore have a material effect on the Group's financial performance and position.

1.6. FOREIGN CURRENCIES

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in pounds sterling, which is the Group's presentational and functional currency.

The assets and liabilities of foreign subsidiary operations are translated into pounds sterling at the rate of exchange ruling at the reporting date and their income statement and cash flows are translated at the average rate for the period. Exchange differences arising are dealt with in other comprehensive income.

At entity level, transactions in currencies other than an entity's functional currency are recorded at the exchange rate prevailing at the transaction dates. Foreign exchange gains and losses resulting from settlement of these transactions and from retranslation of monetary assets and liabilities denominated in foreign currencies are recognised in the

1.19.2 FINANCIAL LIABILITIES

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest method.

1.19.3 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 interests in associate undertakings.

Fund investments are held at fair value through profit or loss and are stated at fair value in accordance with market practice and gains and losses on revaluation are taken to the income statement 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 cash flow model.

The investment in New Forests Pty Limited represented an associate undertaking and was accounted for as an investment in accordance with the requirements of paragraph 14.4A of Section 14. As such, the Group recognised it at fair value within fixed asset investments rather than equity account for it.

1.19.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

1.19.5 CURRENT ASSET INVESTMENTS

Current asset investments are financial assets which include cash equivalents held in money market funds and investments as part of the EIBP plan. Marketable securities are classified as held at fair value through profit or loss and are stated at fair value in accordance with market practice; gains and losses arising from revaluation are taken to the income statement as unrealised.

1.19.6 DERIVATIVE FINANCIAL INVESTMENTS

The Group's activities expose it to the financial risks of changes in foreign exchange rates.

The use of financial derivatives is governed by the Group's policies, which provide principles on the use of financial derivatives consistent with the Group's risk management strategy.

The Group's policy provides for the use of derivative instruments to convert a proportion of its turnover received in dollars into pounds sterling in order to hedge the foreign exchange risk arising.

Derivatives including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. Changes in fair value are recognised in the income statement in finance income or costs as appropriate.

The group does not currently apply hedge accounting for foreign exchange derivatives.

2 TURNOVER

The turnover and profit are attributable to the principal activity of the Group.

	Year ended 31 December 2016	Year ended 31 December 2015
	£'000	£'000
United Kingdom	102,883	68,983
United States	77,172	57,073
	180,055	126,056

	Year ended 31 December 2016	Year ended 31 December 2015
	£'000	£'000
Management fees	77,338	65,143
Performance fees	102,717	60,913
	180,055	126,056

3 OTHER OPERATING INCOME

	Year ended 31 December 2016	Year ended 31 December 2015
	£'000	£'000
Rent receivable	396	396

4 OPERATING PROFIT

Operating profit is stated after charging:

	Year ended 31 December 2016	Year ended 31 December 2015
	£'000	£'000
Depreciation of own fixed assets	282	394
Auditors' remuneration		
- Fees payable for the audit of the Partnership	50	56
- Fees payable for the audit of the Partnership's subsidiaries	11	6
- Fees payable for other assurance services	105	155
- Fees payable for tax advisory services	16	219
- Fees payable for tax compliance services	338	253
- Fees payable for other non-audit services	10	7
Operating lease costs – buildings	2,128	1,639
Foreign exchange gain	2,733	254

income statement except where these relate to loans to foreign subsidiary entities considered to be part of the net investment in those entities in which case these amounts are recorded through other comprehensive income.

1.7. 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 principal geographical segments (UK and USA) and one business segment.

1.8. TURNOVER

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered net of discounts and rebates allowed by the company and value added taxes.

The turnover shown in the consolidated income statement represents amounts due for investment advisory services recognised on an accruals basis during the year, exclusive of Value Added Tax. Turnover is derived from management fees and performance fees.

Management fees include all non-performance related fees and are recognised in the period in which the services are rendered.

The basis on which performance fees for investment advisory services are calculated may vary across clients and investment strategies. Performance fees are recognised when they are receivable.

1.9. DIVIDEND INCOME

Dividend income arises on fixed asset investments and is recognised when declared.

1.10. ADMINISTRATIVE EXPENSES

Administrative expenses relate to staff and other costs incurred by the Group in an operating capacity. Expenses are recognised net of VAT on receipt of goods or over the period of the service is performed.

1.11. INTEREST RECEIVABLE

Interest comprises interest on cash and cash equivalents and is accounted for on an accruals basis.

1.12. 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 the pension schemes in respect of the accounting year.

1.13. EMPLOYEE INCENTIVE BENEFIT PLAN (EIBP)

The Group has created the EIBP for members and employees and accounts for the EIBP as an Other Long-Term Employee Benefit in accordance with Section 28 of FRS 102. Upon grant of awards to employees, the Group invests an amount equal to the award into Generation funds. Generation funds are funds managed by the Partnership. Liabilities are accrued over the vesting period attached to each award. Investments are recognised as an asset upon purchase and are revalued to fair value at balance sheet date. The corresponding movement in liability is spread over the remaining vesting period. See note 1.19 for further details on valuation and recognition of the plan. Investments made into Generation funds are presented within current asset investments, please see note 9 and 13.1.

1.14. OPERATING LEASES

Rental costs under operating leases are charged to the income statement 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 are recognised on a straight line basis over the lease term. Sublease income is accounted for on an equivalent basis.

1.15. 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. The LLP is subject to corporate tax in respect of its office in Spain.

The Group is subject to corporate level taxes levied by New York City Department of Finance, based on profits for the financial year.

The consolidated group includes entities which are subject to both local and foreign taxes.

Deferred tax is recognised on all timing differences at the balance sheet date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

1.16. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and dismantling and restoration costs. Depreciation is charged to Administrative expenses in the income statement.

Depreciation is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

1.17. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provision is made for the present value of onerous lease commitments in respect of surplus property, after allowance for anticipated sublet rental income, and to restore premises to their original condition upon vacating them where such an obligation exists under the lease. Present value is based on discounted future cash flows, with the unwinding of that discount to be recognised as an expense within finance charges in future periods.

1.18. 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 amounts 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.

Distributions may be paid net of a tax retention which is released to members to pay tax as required. The balance of tax retained from members is shown within amounts due to members.

1.19. FINANCIAL INSTRUMENTS

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

1.19.1 FINANCIAL ASSETS

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the income statement, except those investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Current tax		
UK Corporation tax at 20% (2015: 20.25%)	-	-
Foreign current tax	6,215	2,720
Adjustments in respect of prior period foreign tax	766	1,410
	6,981	4,130
Deferred tax		
Origination of timing differences:		
UK deferred tax	(1)	(11)
Foreign deferred tax	-	(719)
Tax on profit on ordinary activities	6,980	3,400

The tax for the period is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 20.25%) as members of the Partnership are not subject to UK corporation tax. However, certain subsidiary undertakings are subject to local corporate taxes largely arising on profits for the financial year as shown below. Generation Investment Management Services Limited is subject to corporation tax rate at the appropriate effective rate.

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Profit on ordinary activities before taxation	149,508	104,724
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	29,902	21,207
Effects of:		
Profits chargeable on members	(22,149)	(18,507)
UK corporation tax-current	-	-
Impact of overseas tax rate	(1,538)	(697)
Adjustments in respect of prior period foreign tax	765	1,406
Adjustments in respect of prior period deferred tax	-	(9)
Total current tax	6,980	3,400

6 EMPLOYEES AND REMUNERATION

The average monthly number of employees of the Group during the financial year amounted to:

	2016 The Group	2016 The LLP	2015 The Group	2015 The LLP
Investment Team	17	17	15	15
Client Relationship Team	5	3	5	3
Operations and Administration Team	27	23	26	24
Total number of employees	49	43	46	42

The aggregate staff costs were:

	2016 The Group	2016 The LLP	2015 The Group	2015 The LLP
	£'000	£'000	£'000	£'000
Wages and salaries	14,916	13,443	11,389	10,610
Social security costs	1,918	1,846	1,485	1,441
Other pension costs	1,390	1,282	683	616
	18,224	16,571	13,557	12,667

7 TANGIBLE FIXED ASSETS – THE GROUP

	Leasehold premises	Fittings and furnishings	Office equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2016	3,706	1,131	1,089	5,926
Additions	196	63	75	334
At 31 December 2016	3,902	1,194	1,164	6,260
Accumulated depreciation				
At 1 January 2016	(1,105)	(983)	(938)	(3,026)
Charge for the year	(126)	(88)	(68)	(282)
At 31 December 2016	(1,231)	(1,071)	(1,006)	(3,308)
Net book value				
At 31 December 2016	2,671	123	158	2,952
At 31 December 2015	2,601	148	151	2,900

TANGIBLE FIXED ASSETS – THE LLP

	Leasehold premises	Fittings and furnishings	Office equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2016	2,724	1,051	1,017	4,792
Additions	219	58	77	354
At 31 December 2016	2,943	1,109	1,094	5,146
Accumulated depreciation				
At 1 January 2016	(720)	(911)	(874)	(2,505)
Charge for the year	(126)	(84)	(67)	(277)
At 31 December 2016	(846)	(995)	(941)	(2,782)
Net book value				
At 31 December 2016	2,097	114	153	2,364
At 31 December 2015	2,004	140	143	2,287

8 FIXED ASSET INVESTMENTS – THE GROUP

Investments in Generation funds and associate undertakings

	2016			2015		
	Generation funds	Investments	Total	Generation funds	Investments	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	9	6,766	6,775	9	4,344	4,353
Disposals	-	(7,501)	(7,501)	-	-	-
Realised gain on investments	2	735	737	-	2,422	2,422
At 31 December	11	-	11	9	6,766	6,775

FIXED ASSET INVESTMENTS – THE LLP

Investments in subsidiaries and associate undertakings

	2016		2015	
	Investments	Total	Investments	Total
	£'000	£'000	£'000	£'000
At 1 January	8,736	8,736	6,244	6,244
Additions	-	-	70	70
Disposal	(7,501)	(7,501)	-	-
Realised gain on investments	735	735	2,422	2,422
At 31 December	1,970	1,970	8,736	8,736

The LLP disposed of its entire shareholding in New Forests Pty Limited in 2016. In 2015 the LLP held 23.7% of the voting rights represented by a combination of both preference and ordinary shares. New Forests Pty Limited is registered in Australia and its principal activity is fund management.

Subsidiary undertakings comprise the following:

NAME	COUNTRY OF REGISTRATION	NATURE OF BUSINESS
Generation Investment Management Services Limited	England	Inactive
Generation Investment Management US LLP	USA	Investment manager
Generation Investment Management Services LLC	USA	Supplier of staff services
Generation IM US Facilities LLC	USA	Dormant
Generation IM Climate Solutions GP (Scotland) Limited	Scotland	General partner
Generation IM Climate Solutions I (Scotland) LLP	Scotland	General partner
Generation IM Climate Solutions GP Limited	Cayman	General partner
Generation IM Climate Solutions II (Scotland) LLP	Scotland	General partner
Generation IM Climate Solutions II GP Limited	Cayman	General partner
Generation Investment Management S.à.r.l	Luxembourg	Fund management
Generation Investment Management (Scotland) GP Limited	Scotland	General partner
Generation Investment Management US I GP Limited	Cayman	General partner
Generation Investment Management II GP Limited	Jersey	General partner
Generation Investment Management US II GP Limited	Cayman	General partner
Generation Investment Management I GP Limited	Cayman	General partner
Generation Investment Management I GP LP	Cayman	General partner
GIM (Global Equity) Investment GP Limited	Cayman	General Partner
New Leaf Investment (Scotland) LLP Scotland	Scotland	General Partner

Generation Investment Management Services Limited was managed on a unified basis until 30 December 2015. After this date, the company was 100% owned by the LLP. The company has therefore been treated as a subsidiary both pre and post 100% ownership by the LLP. Generation Investment Management Services Limited is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts under section 479A. The LLP guarantees all outstanding liabilities to which the subsidiary company is subject to at the end of 31 December 2016 until they are satisfied in full.

The LLP owns 99.9% of Generation Investment Management US LLP which in turn owns 100% of Generation Investment Management Services LLC which holds the remaining 0.01% investment in Generation Investment Management US LLP.

Generation Investment Management US LLP owns 100% of Generation IM US Facilities LLC (dormant).

The LLP owns 100% of Generation IM Climate Solutions GP (Scotland) Limited and 99.9% of Generation IM Climate Solutions I (Scotland) LLP. The LLP owns 100% of Generation IM Climate Solutions GP Limited.

The LLP owns 99.9% of Generation IM Climate Solutions II (Scotland) LLP and 100% of Generation IM Climate Solutions II GP Limited which was dormant during the year.

The LLP owns 100% of Generation Investment Management S.à.r.l, Generation Investment Management (Scotland) GP Limited (dormant during the year), Generation Investment Management US I GP Limited (dormant during the year), Generation Investment Management II GP Limited (dormant during the year), Generation Investment Management I GP Limited (dormant during the year) and Generation Investment Management US II GP Limited (dormant for the year).

Generation Investment Management I GP Limited, in turn, is the controlling General Partner of Generation Investment Management I GP LP (dormant during the year).

The LLP owns 99.9% of New Leaf Investments (Scotland) LLP.

The Group is both the smallest and largest group to consolidate the financial statements of the LLP.

9 CURRENT ASSET INVESTMENTS – THE GROUP

	2016			2015		
	EIBP	Money Market Funds	Total	EIBP	Money Market Funds	Total
At 1 January	6,056	22,066	28,122	5,326	7,658	12,984
Additions	1,062	9,068	10,130	754	14,408	15,162
Disposals	(2,424)	-	(2,424)	(512)	-	(512)
Unrealised gain on investments	1,691	-	1,691	488	-	488
At 31 December	6,385	31,134	37,519	6,056	22,066	28,122

CURRENT ASSET INVESTMENTS – THE LLP

	2016			2015		
	EIBP	Money Market Funds	Total	EIBP	Money Market Funds	Total
At 1 January	5,308	21,726	27,034	4,754	7,283	12,037
Additions	913	9,408	10,321	635	14,443	15,078
Disposals	(2,360)	-	(2,360)	(511)	-	(511)
Unrealised gain on investments	1,398	-	1,398	430	-	430
At 31 December	5,259	31,134	36,393	5,308	21,726	27,034

Current asset investments comprise investments on behalf of the EIBP, details of which are given in note 13.1 as well as money market fund investments. Assets held by the EIBP are restricted by management in their use by the Group and LLP.

10 DEBTORS

	2016	2016	2015	2015
	The Group	The LLP	The Group	The LLP
	£'000	£'000	£'000	£'000
Trade debtors	4,285	4,032	3,933	3,861
Other debtors	943	14,361	647	27,464
Deferred award	-	-	1,196	1,032
Prepayments and accrued income	38,949	16,530	34,374	13,833
	44,177	34,923	40,150	46,190

11 DERIVATIVE FINANCIAL INSTRUMENTS

Group and The LLP:

	2016	2016	2015	2015
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Forward foreign currency contracts	-	(1,292)	2	-
	-	(1,292)	2	-

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 The Group	2016 The LLP	2015 The Group	2015 The LLP
	£'000	£'000	£'000	£'000
Trade creditors	1,163	1,082	1,772	1,642
VAT payable	1,598	1,599	463	463
Tax and social security	9,927	10,075	4,497	3,817
Other creditors	402	12,626	1,018	1,596
Accruals and deferred income	3,193	2,925	1,919	1,766
Derivative Financial instruments	1,292	1,292	-	-
	17,575	29,599	9,669	9,284

Included within accruals and deferred income are amounts relating to employer pension contributions of £179,698 (2015: £86,165).

13 PROVISIONS FOR LIABILITIES

The Group:

	EIBP	Onerous lease	Total
	£'000	£'000	£'000
At 1 January	6,631	306	6,937
Movement in year	(1,212)	(138)	(1,350)
At 31 December	5,419	168	5,587

The LLP:

	EIBP	Onerous lease	Total
	£'000	£'000	£'000
At 1 January	5,939	305	6,244
Movement in year	(1,379)	(138)	(1,517)
At 31 December	4,560	167	4,727

13.1 EMPLOYEE INCENTIVE BENEFIT PLAN

The Group provides incentives ("awards") for employees via the Generation IM Deferred Remuneration Plans ("the plans"). The Plans are governed by the Plan Rules or the trustees of the Generation Investment Management LLP Employee Benefit Trust ("the trustees").

Awards take the form of units or interests within Generation-managed investment funds and are awarded by management in accordance with the plan rules. Awards for members and employees vest after three years from grant date with units redeemed after five years and proceeds paid to respective members and employees. The level of incentives awarded are linked to an employee's level of seniority at grant date.

Generation provides three separate Employee Incentive Benefit Plans:

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

> Generation IM Climate Solutions Plan

- > For certain UK employees, LLP members and US citizen employees: the Group has invested directly in the Generation IM Climate Solutions Fund (Cayman), L.P. and Generation IM Climate Solutions Fund (U.S.), L.P.

Provisions for liabilities include amounts due to employees by the EIBP of £4.7m (2015: £5.9m) and National Insurance on employee awards under the EIBP of £0.6m (2015: £0.8m).

13.2 DEFERRED TAX

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

	The Group		The LLP	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Short-term timing differences	-	(676)	-	-
Deferred tax provision	-	-	-	-

13.3 ONEROUS LEASE

Provisions are recognised for obligations under property contracts that are onerous. The provisions are based on estimated future cash flows. The onerous lease provision covers residual lease commitments up to the end of the lease (the length remaining on the sole onerous lease being one year).

14 RELATED PARTY TRANSACTIONS

The LLP is appointed as the investment manager of Generation IM Climate Solutions Fund, LP, Generation IM Climate Solutions Fund II, LP and Generation IM Fund PLC, including its sub-funds Generation IM Global Equity Fund and Generation IM Asia Fund, GIM (Global Equity) Investment (US) LP and GIM (Global Equity) Investment LP.

The US LLP is appointed as the investment manager of Generation IM Global Equity Fund LLC and Generation IM Asia Fund LP.

Generation IM Global Equity Fund and Generation IM Asia Fund are related parties as three Group members are directors of Generation IM Fund PLC.

Generation IM Global Equity Fund LLC and Generation IM Asia Fund LP are both related parties as a Group member serves as Organisational Member of the Funds.

Generation IM Climate Solutions Fund LP is a related party as one Group member serves as director of Generation IM Climate Solutions GP Limited.

Generation IM Climate Solutions (Scotland) L.P. is a related party as two Group members serve as directors of its General Partner, Generation IM Climate Solutions GP (Scotland) Limited and one Group member serves as a member of its second General Partner, Generation IM Climate Solutions I (Scotland) LLP.

The Group is also appointed as the investment manager of Generation IM Credit Master Fund, FCP-SIF. Generation IM Credit Feeder Fund I L.P., Generation IM Credit Feeder Fund II L.P. Generation IM Credit Feeder Fund III L.P. and Generation IM Credit Feeder Fund IV L.P. are related parties as Group members serve as directors of their General Partners.

The Generation Foundation is a related party as Group members serve as directors of the Company.

The Group has earned income during the year from related parties as follows:

	Total Income for year ended:		Accrued Income as at:	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	£'000	£'000	£'000	£'000
Generation IM Global Equity Fund	42,087	30,899	9,655	6,657
Generation IM Global Equity Fund LLC	32,343	22,031	8,732	5,980
Generation IM Asia Fund	3,153	1,700	836	530
Generation IM Asia Fund LP	889	430	195	78
Generation IM Climate Solutions Fund, L.P.	1,683	3,078	-	-
Generation IM Climate Solutions Fund II, L.P.	5,632	5,083	-	-
Generation IM Credit Feeder Fund I L.P.	150	156	-	-
Generation IM Credit Feeder Fund II L.P.	59	63	-	-
Generation IM Credit Feeder Fund III L.P.	670	849	-	-
Generation IM Credit Feeder Fund IV L.P.	200	188	-	-

The Group holds £0.9m (2015: £1.8m) in Generation IM Global Equity Fund and £0.1m (2015: £0.1m) in the Generation IM Asia Fund. The Group through RBC cees Trustee Limited holds £4.2m (2015: £3.1) in the Generation IM Global Equity Fund and £0m (2015: £0.3m) shares in the Generation IM Asia Fund for the Group's EIBP in respect of certain UK members and employees. The Group holds interests amounting to £1.1m (2015: £0.7m) invested in Generation IM Global Equity Fund LLC and £0m (2015: £0.1m) invested in Generation IM Asia Fund LP on behalf of certain US members and employees, and an interest of £0.1m (2015: £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 13.1).

The landlord of the leased property in Spain is a member of the Group. Rental payments made during the year amounted to £60,004 (2015: £43,973) and there were no balances payable as at the year-end (2015: nil).

The Group paid £nil (2015: £1,824) to Business for Social Responsibility (BSR) in relation to annual membership fees. There were no amounts payable at the year-end (2015: nil). One group member serves as director of BSR.

The Group paid £9,493 (2015: £nil) in relation to professional services on behalf of Generation IM Climate Solutions (Scotland), L.P. during the year. £nil was due to the Group at the year-end (2015: £5,704). Generation IM Climate (Scotland), L.P. is a related party as two Group members serve as directors of its General Partner, Generation IM Climate Solutions GP (Scotland) Limited.

The Group transferred its fixed asset investment in New Forests Pty to New Leaf Investment (Scotland) L.P. New Leaf Investment (Scotland) L.P. is a related party as nine of its limited partners are members of the LLP.

The Group has taken advantage of the exemption from the requirement to disclose transactions with related parties that are wholly owned within the Group.

15 CONTROLLING PARTY

The LLP is controlled jointly by the members.

16 INFORMATION IN RELATION TO MEMBERS

	Year ended 31 December 2016	Year ended 31 December 2015
	Number	Number
Average number of members during the year	32	28
	£'000	£'000
Profit for the year attributable to members		
The Group	142,528	101,324
The LLP	129,639	90,058

The profit attributable to the member with the largest entitlement is £23.0m (2015: £13.1m).

The profit attributable to key management personnel is £90.2m (2015: £54.8m)

17 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 principal 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, interest rate risk and foreign exchange risk), credit risk, liquidity risk, operational risk and capital risk.

17.1 MARKET RISK

17.1.1 PRICE RISK

Price risk is the risk of a change in the value of an investment. 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.

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 at par) through profit or loss. The Group does not rely on interest from money market funds for operating purposes.

The Group's investment in New Forests Pty Limited was held at fair value through profit or loss.

17.1.2 INTEREST RATE RISK

Interest rate risk is the risk of a change in interest rates. 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.

17.1.3 FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that foreign exchange rates move. The Group is exposed to foreign exchange risk as high proportion of its liabilities are in sterling but management and performance fees are predominately calculated and received in foreign currencies.

The Group monitors its exposure to currency risk and may seek to minimise its exposure to fluctuations in exchange rates by hedging against foreign currency exposures using financial derivatives as explained in note 1.

17.1.4 CREDIT RISK

Credit risk is the risk of counterparties to transactions not settling their debts. 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. Settlement is 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 and the Group does not expect any losses from the credit counterparties held as at the balance sheet date.

17.1.5 LIQUIDITY RISK

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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.

17.1.6 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 and Generation Investment Management US LLP, which is reviewed by its auditors.

17.1.7 REGULATORY RISK

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry which are currently subject to significant changes. The Group's in-house legal counsel is focused on maintaining the legal and regulatory capability required to manage these risk factors and in addition the Group employs external compliance consultants to monitor the Group's regulatory compliance.

17.1.8 CAPITAL RISK

Capital risk is the risk of The Group not having adequate capital to meet its operational or regulatory requirements. 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.

18 RECONCILIATION OF MOVEMENT IN MEMBERS' INTERESTS FOR THE YEAR TO 31 DECEMBER 2016

18.1 THE GROUP

	Members' capital £'000	Foreign exchange reserves £'000	Other reserves £'000	TOTAL £'000	Amounts due to members £'000	TOTAL 2016 £'000	TOTAL 2015 £'000
Members' interests							
At 1 January	14,098	(1,552)	52,587	65,133	6,115	71,248	43,832
Profit for the financial year available for discretionary division among members	-	-	142,528	142,528	-	142,528	101,324
Other comprehensive income	-	845	-	845	-	845	(1,098)
Members' interest after profit for the year	14,098	(707)	195,115	208,506	6,115	214,621	144,058
Capital introduced	2,142	-	-	2,142	-	2,142	910
Capital released	(2,060)	-	-	(2,060)	-	(2,060)	-
Profit Allocation	-	-	(154,245)	(154,245)	154,245	-	-
Drawings	-	-	-	-	(126,784)	(126,784)	(73,720)
Members' interests							
At 31 December	14,180	(707)	40,870	54,343	33,576	87,919	71,248

18.2 THE LLP

	Members' capital £'000	Other reserves £'000	TOTAL £'000	Amounts due to members £'000	TOTAL 2016 £'000	TOTAL 2015 £'000
Members' interests						
At 1 January	16,225	54,548	70,773	5,351	76,124	39,314
Profit for the financial year available for discretionary division among members	-	129,639	129,639	-	129,639	90,058
Members' interest after profit for the year	16,225	184,187	200,412	5,351	205,763	129,372
Capital introduced	2,142	-	2,142	-	2,142	910
Capital released	(2,060)	-	(2,060)	-	(2,060)	-
Transfer	(2,127)	2,127	-	-	-	-
Profit Allocation	-	(168,669)	(168,669)	168,669	-	-
Drawings	-	-	-	(140,444)	(140,444)	(54,158)
Members' interests						
At 31 December	14,180	17,645	31,825	33,576	65,401	76,124

Transfer of capital to other reserves represents a realignment between the LLP and US LLP members' interests.

In the event of the LLP being wound up, no member has agreed with other members that he/she 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.

19 COMMITMENTS UNDER OPERATING LEASES

As at 31 December 2016 the Group and LLP had commitments under non-cancellable operating leases as follows:

	2016	2016	2015	2015
	The Group	The LLP	The Group	The LLP
	£'000	£'000	£'000	£'000
Buildings				
Operating leases which expire:				
Within 1 year	2,990	2,113	2,839	2,104
Within 2 to 5 years	8,795	7,776	7,652	6,036
After 5 years	9,281	9,281	13,097	13,123

On 17 December 2007 the LLP entered into an agreement to lease office space in London. The lease was assigned in July 2013 and the lease expires on 15 April 2018. The rental payments due by Generation in relation to the lease assignment are £132,075 per annum and commenced July 2013.

On 31 October 2011 the LLP entered into a separate agreement to lease office space in London. The lease expires on 31 October 2026. The rental payments are £1.9m per annum and commenced on 07 April 2014.

The LLP entered into an agreement to lease office space in Madrid, Spain. The lease expires on 28 December 2018. The rental payments are €72,000 per annum and commenced in April 2013. The above figures are estimated using the pound sterling/ Euro rate at 31 December 2016.

On 15 April 2008 the US LLP entered into an agreement to lease office space in New York, USA. The lease became effective from the Commencement Date of 15 March 2009. The lease expires on 28 February 2019. The rent is approximately £0.9m per annum. The above figures are estimated using the pound sterling/ U.S Dollar rate at 31 December 2016.