

Marathon Asset Management LLP

Registered No: OC305964

Members

W J Arah
J J Hosking
N M Ostrer
Marathon Asset Management (Services) Limited

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

Orion House
5 Upper St Martin's Lane
London WC2H 9EA

Members' report

The members present their report and financial statements for the period ended 31 December 2004.

Principal activity and review of the business

The Partnership was formed on 5 November 2003 and provides investment services to institutional investors in the UK and overseas. The Partnership is regulated by the Financial Services Authority, authorisation having been obtained on 10 September 2004, and is registered as an investment advisor with the US Securities and Exchanges Commission.

Marathon Asset Management (Services) Limited transferred its investment management business to the Partnership on 1 October 2004 and became a member of the Partnership. The process of novating client agreements to the Partnership is expected to be completed early in 2005.

Results and profit allocation

The results for the year and the profit allocation are shown in the profit and loss account on page 5.

The Members are satisfied with the performance of the Partnership during the period and the current balance sheet position, with members other interests of £6,613,078.

Members' profit allocation

Any profits are shared among the members in accordance with the terms of the Partnership Deed dated 2 September 2004.

Policies for members' drawings, subscriptions and repayments of members' capital

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the Partnership Agreement.

Members

The members of the Partnership during the period were as follows:

W J Arah
J J Hosking
N M Ostrer
Marathon Asset Management (Services) Limited

The designated members are W J Arah, J J Hosking and N M Ostrer.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members.

By order of the members



Date: 22/3/05

Statement of designated members' responsibilities in respect of the financial statements

The designated members are required to prepare financial statements for each financial year. In preparing those financial statements, the members have undertaken to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 Partnership and to ensure that the financial statements comply with the Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000. The designated members are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Marathon Asset Management LLP

We have audited the financial statements of Marathon Asset Management LLP (the "Partnership") for the year ended 31 December 2004 which comprise Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with the Limited Liability Partnerships Regulations 2001. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members' and auditors

As described in the Statement of Designated Members' Responsibilities, the designated members are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Limited Liability Partnerships Regulations 2001 made under the Limited Liability Partnerships Act 2000. We also report to you if, in our opinion, the Partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

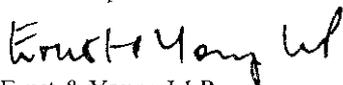
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Partnership as at 31 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Limited Liability Partnerships Regulations 2001, made under the Limited Liability Partnerships Act 2000.



Ernst & Young LLP
Registered Auditor
London

Date:

22 March 2005

Profit and loss account

for the period ended 31 December 2004

	<i>Notes</i>	<i>Period ended 31 December 2004 £</i>
Turnover		
Management fees	2	19,422,588
Other income		220,000
Expenses		
Operating expenses		(17,037)
Operating profit	3	<u>19,625,551</u>
Interest receivable		82,068
Profit for the year available for division among members		<u>19,707,619</u>
Allocated profits	4	(19,394,541) -
Retained profit		<u><u>313,078</u></u>

Statement of total recognised gains and losses

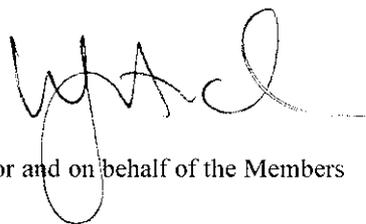
There were no other recognised gains or losses in the period.

Balance sheet

at 31 December 2004

	<i>Notes</i>	<i>2004</i> £
Current assets		
Debtors	5	19,692,299
Cash		6,382,031
		<u>26,074,330</u>
Current liabilities		
Creditors: amounts falling due within one year	6	(19,461,252)
		<u>6,613,078</u>
Net current assets		
		<u>6,613,078</u>
Total assets less current liabilities		
		<u>6,613,078</u>
Members' other interests		
Members' capital		32,800,000
Other reserves		(26,500,000)
Retained profit		313,078
		<u>6,613,078</u>
Memorandum of members' total interests		
	<i>Notes</i>	<i>2004</i> £
Amounts due to members	7	19,174,541
Members' other interests	7	6,613,078
Members' total interests	7	<u>25,787,619</u>

The accounts on pages 5 to 12 were approved by the members on 22/3/05



For and on behalf of the Members

Statement of cash flows

for the period ended 31 December 2004

	<i>Notes</i>	<i>Period ended 31 December 2004 £</i>
<i>Net cash inflow from operating activities</i>	8 (a)	(37)
<i>Returns on investments and servicing of finance</i>	8 (b)	82,068
<i>Transactions with members</i>	8 (b)	6,300,000
<i>Increase in cash</i>	8 (c)	<u>6,382,031</u>

Notes to the financial statements

at 31 December 2004

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in May 2002.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Soft commissions

In the ordinary course of its business, the company has entered into soft commission arrangements with certain brokers, whereby the company agrees to provide the broker with a certain amount of commission in return for the payment for certain goods and services invoiced to the company by external suppliers.

All such transactions are done on an arm's length basis with a view to obtaining best execution and the goods and services provided are such that their provision results in an improvement to the company's performance in providing services to its customers.

The accounts do not reflect the value of the goods and services received by the company under such arrangements. In cases where the directors believe that projected brokerage commission may be insufficient to meet the ongoing liabilities, provision has been made in the accounts for any amounts that the company may be required to reimburse under the terms of the arrangement.

2. Turnover

Turnover represents investment management fees stated net of value added tax. These are recognised as they fall due under the terms of the individual client agreements. No credit is taken for performance related fees expected until such time as the amount receivable has been earned in accordance with the client agreement and after making provision for any clawbacks of income that are likely to arise over the term of the agreement.

The turnover and pre-tax profit is attributable to one activity, the provision of investment management services.

An analysis of turnover by geographical market is as follows:

	2004
	£
United Kingdom	3,146,874
North America	15,321,399
Rest of the World	954,315
	<hr/>
	19,422,588
	<hr/>

3. Operating profit

This is stated after charging auditors' remuneration for audit services of £17,000.

Notes to the financial statements

at 31 December 2004

4. Members' remuneration

	<i>Period ended 31 December 2004</i>
	£
Amount in relation to the member with the largest entitlement to profit - Marathon Asset Management (Services) Limited	5.600.000
The average number of members in the period was 4.	

5. Debtors

	<i>2004</i>
	£
Accrued income	19,282,711
Trade debtors	189,588
Due from member	220,000
	<u>19,692,299</u>

6 Creditors: amounts falling due within one year

	<i>2004</i>
	£
Creditors and accruals	66,711
Distributions payable	19,394,541
	<u>19,461,252</u>

7. Reconciliation of movements in members' other and members' total interests

	<i>Members' capital</i>	<i>Other reserves</i>	<i>Total members' other interests</i>	<i>Loans from and other amounts due to/(from) members</i>	<i>Members' total interests</i>
	£	£	£	£	£
At 5 November 2003	-	-	-	-	-
Capital contributions - cash	6,300,000	-	6,300,000	-	6,300,000
Capital contributions - other	26,500,000	(26,500,000)	-	-	-
Profit for the period	-	19,707,619	19,707,619	-	19,707,619
Profits allocated	-	(19,394,541)	(19,394,541)	19,394,541	-
Due from member	-	-	-	(220,000)	(220,000)
At 31 December 2004	<u>32,800,000</u>	<u>(26,186,922)</u>	<u>6,613,078</u>	<u>19,174,541</u>	<u>25,787,619</u>

Amounts due to members are not subordinated.

Notes to the financial statements

at 31 December 2004

8. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	<i>Period ended 31 December 2004 £</i>
Operating profit	19,625,551
Increase in debtors	(19,692,299)
Increase in creditors	66,711
	<u>(37)</u>

(b) Analysis of cash flows for headings netted in the cash flow statement

	<i>Period ended 31 December 2004 £</i>
Capital expenditure and financial investment	
Purchase of investments	—
Return on investments and servicing of financing:	
Interest received	82,068
Interest paid and similar charges	—
	<u>82,068</u>
Transactions with members	
Issue of members' capital	6,300,000
	<u>6,300,000</u>

(c) Analysis of changes in net funds

	<i>At 5 November 2003 £</i>	<i>Cash flow £</i>	<i>At 31 December 2004 £</i>
Cash at bank	—	6,382,031	6,382,031

Notes to the financial statements

at 31 December 2004

8. Notes to the statement of cash flows (continued)

(d) Reconciliation of net cash flow to movement in net funds

	<i>Period ended 31 December 2004 £</i>
Increase in cash in period	6,382,031
Change in net funds resulting from cash flows	<u>6,382,031</u>
Net funds at beginning of period	—
Net funds at 31 December	<u><u>6,382,031</u></u>

9. Financial commitments

To limit exposure to exchange rate fluctuations in respect of amounts receivable in foreign currencies at a future date, the Partnership has a forward contract to sell US\$ 9,500,000 by 31 March 2005.

10. Related party transactions

Marathon Asset Management (Services) Limited provides services to the Partnership and receives an allocation of profits which is at least equal to those expenses. The profit allocation for the period ended 31 December 2004 was £5,600,000. The amount due at 31 December 2004 was £5,600,000.

The Partnership has provided the services of certain of its members to Marathon Asset Management (Services) Limited to enable that company to service its investment management contracts pending novation to the Partnership. The amount payable for these services in the period was £220,000 and the amount outstanding at 31 December 2004 was £220,000.