

IFSL Hathaway Fund

Annual Report and Audited Financial Statements
for the year ended 30 September 2022

IFSL

— Fund Services —

Hathaway Investment
Management

IFSL HATHAWAY FUND

CONTACT INFORMATION

Authorised Fund Manager (AFM) and Registrar (from 26 November 2021)

Investment Fund Services Limited (IFSL)
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Investor Support: (0808) 178 9321 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of IFSL

Andrew Staley (Non-Executive)
Allan Hamer
Wayne D Green - resigned 24 March 2022
Helen Derbyshire
Helen Redmond
Sally Helston - appointed 12 August 2022
David Kiddie (Non-Executive) - resigned on 2 December 2021
Guy Sears (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

Depositary (in its capacity as Trustee)

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Investment Manager

Hathaway Investment Management Limited
Grosvenor House
14 Bennetts Hill
Birmingham
B2 5RS

Authorised and regulated by the Financial Conduct Authority.

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Authorised Fund Manager (AFM) and Registrar (to 26 November 2021)

Marlborough Fund Managers Ltd
Marlborough House
59 Chorley New Road
Bolton
BL1 4QP

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

Directors of Marlborough Fund Managers Ltd

Andrew Staley (Non-Executive)
Nicholas F J Cooling
Allan Hamer
Wayne D Green
Dom Clarke
Helen Derbyshire
Richard Goodall
Geoffrey Hitchin (Non-Executive)
Guy Sears (Independent Non-Executive)
David Kiddie (Independent Non-Executive)
Sarah Peaston (Independent Non-Executive)

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IFSL HATHAWAY FUND

AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 30 September 2022

Performance to 30 September 2022

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>10 years</u>
IFSL Hathaway Fund	(14.93)%	(19.95)%	(4.78)%	4.60%	96.59%
IA Mixed Investment 40% - 85% Shares	(9.43)%	(10.27)%	4.72%	15.18%	76.07%

External Source of Economic Data: Morningstar (Accumulation - quoted to quoted price).

The performance figures above are based on quoted prices and will, therefore, differ from the performance in the Comparative Table.

Capital at risk. Past performance is not a reliable indicator of future performance; the value of your investment and any income from it can go down as well as up. Performance returns are based on the net asset value with distributable income reinvested and take account of all ongoing charges, but not entry charges (if applicable). The past performance of this unit class is calculated in sterling.

Investment commentary

Recent performance

Against the background of the war in Ukraine, profoundly rising interest rates, material inflation and of course an energy crunch, it is also unwelcome to have to record a disappointing absolute and relative outcome for the year – with a knock-on effect felt in all shorter periods.

Spoiling our 20-year report card, the stall we experienced in the first six months, continued in the second half, and our equity and bond unit trust posted a decline of 19.9% (total return) in the year, reflecting a 47.8p decrease in accumulation units. Launched in 2002 at 50p, that class is now at 191.81p, reflecting annual compounding at a fraction under 7% over our first 20 years (down from the 8.5% annual run rate recorded a year ago). We lagged our peer group benchmark in the year – it returned minus 10.3%.

To see our performance this year in context though: veteran unitholders (most of our investors) will recall that we generally have outperformed materially during market setbacks such as during the financial crisis; this year is a rare exception but, in times of great upset, unpredictable outcomes are to be expected in the short-term.

Equally, this year's performance is in fact less anomalous than it looks: we have underperformed in eight of the twenty years so far and it took us well beyond the half-way point to start recording a material superiority over the benchmark, an advantage which very much remains in place. We have also left inflation (prices are up 66% since 2002), the general stock market and gilts well behind over the twenty years.

The relative results this time though buck our long-term record and trend and the reasons for that are worth examining: several of our larger investees badly lagged the market in price terms in recent months, due to their (only slightly) disappointing operating results.

We still like and favour these businesses, and we are content to have major investments in them, but their generally lacklustre economic behaviour this year damaged our returns.

By way of a plea in mitigation for our performance though, and further evidence of short-term (only) trends: some of our favourite holdings continued to be directly affected by Ukraine or by its knock-on effects on the oil price/currencies (e.g., Toyo Tire). Equally, internet speculation hurt some holdings (such as Games Workshop).

Finally, being exposed to China and its tensions, has affected holdings such as Kone (mirroring its competitor Schindler), those effects picking up the baton from Putin.

However, we expect a recovery in all our stocks, at some point, as these temporary developments recede, although it may take longer than we would like. One thing is already clear though: our cohort of quality investees have enterprises which outperformed their share prices recently and, whilst that divergence may continue for a while, over time their market values must roughly match the companies' business performance. The waiting game should be a comfortable one though, particularly as we bank post-Covid dividend cheques.

Finally, as further clarification: several higher profile value investors and/or practitioners who think pretty much like us, are experiencing the same, or much worse.

We did not suffer alone.

The financial crisis revisited

Meanwhile, confirming what we have flagged up for more than a decade - that quantitative easing would lead at some point to much higher interest rates and thus retreating government bonds - longer dated gilts have lately fared particularly badly: the Treasury 4% 2060 has fallen 50% from its peak in the year and at one point was down 60%. The average gilt holder meanwhile - spread across different maturities - received an overall return of minus 24% for the year.

Fixed income investors have therefore received a sharp reminder of the frailty of (particularly) the longer end of the yield curve when rates are rising (see later), while shorter-dated instruments have also not been spared.

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for the year ended 30 September 2022

Following on from the capital markets' travails, the general economy is now in the grip of the return of material inflation and those rising rates, with the next year or two looking likely to be particularly challenging. Labour shortages are in every sector and productivity is stagnant.

We have restricted our mandated gilt exposure (at least 15%), to the very short end for a very long time - almost cash equivalents - so nothing too painful happened to us this year; low risk/very low reward is the snapshot of that part of our portfolio.

Investing conditions & portfolio developments

In the year, we simply continued practising value investing: judging securities as attractive (or not), only based on their intrinsic worth and absolute/relative valuations. We have paid no notice to the various "crises" which occurred (see below), and unitholders should be relieved that we have always used a "discount" rate of 10% in our calculations of companies' worth etc.

Our analysis has no hasty reappraisals, no stable doors to bolt, no horses to round up; see previous reports for our reference to margin of safety. There have been certain impairments here and there in our portfolio, but nothing to justify the sell-offs.

More importantly though: much of our research, over the last year, concentrated upon seeing that our portfolio is held as harmless as possible from inflation and rising interest rates; both erode the value of plain vanilla bonds, and they are also harmful to businesses, particularly those reliant on large capital expenditures - which must regularly replenish their balance sheets with full-fat cash with which to make those payments. The owners of brands meanwhile, have no such dues to pay.

We added to a few existing holdings when the war started and we are about to top up some more; we also acquired an interest in Somero, a US-based business, which operates facilities in multiple countries, laying laser-guided precision floorings. Otherwise, patience was our main steer.

Finally, a short commentary on the Bank of England's (BoE) recent briefing about the sterling "crisis" and rising rates after the Truss/Kwarteng mini budget.

First, there was no crisis with our currency and the BoE and most commentators were misleading the general public: the UK has a freely floating exchange rate, and of course you don't need to try to influence liquid market outcomes, which simply reflect clearing prices between informed buyers and sellers.

Equally, from the end of quantitative easing, it was perfectly clear that inflation was coming in numbers; indeed, it was already building in commodity/materials markets more than a year ago and, as no major economic stimulus stands alone, the natural hangover was to be expected.

The fearful BoE was slow to raise rates as inflation built, never suspecting that the capital markets might do it for them, which is precisely what has happened: de facto rates are indeed often set/led by the bond market - they don't have to follow central bank policy.

Accordingly, a memo to politicians and policy makers: regarding currencies, free markets fluctuate and, regarding the true measure of the time value of money: the bond market is everything.

Conclusion: another very unusual six months under review and an appropriate juncture to consider the secular returns.

Long term performance: the twenty-year record

Year	IFSL Hathaway Fund	Benchmark
2002/2021	379.20%	287.00%
2021/2022	(19.90)%	(10.30)%
Cumulative	283.60%	247.50%

Our position then, and the table reflects the performance of accumulation units, remains well ahead of the comparator over the long-term, the gap obviously narrowing in the year.

In the period since we launched, commencement income unitholders have enjoyed dividends at an annual average 5.5% - as a yield on their original investment - and capital growth of 174%, both returns a long way ahead of inflation.

Outlook – what our investors may expect

We anticipate a recovery in all our stocks, although it may take longer than we would like; all investors meanwhile, may be in for further turbulence. Reassuring though, is that history shows the stock market usually recovers ahead of the general economy - once it again looks several years ahead. In the meantime, general investors are concentrating on the very short term: tomorrow, next week, next month.

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AUTHORISED INVESTMENT MANAGER'S REPORT

for the year ended 30 September 2022

In the face of all this, we believe there to be three possible general options: do nothing, sell or buy. Sitting on one's hands is not a poor choice, as it avoids speculation and honours the principle that the stock market, ultimately, moves money from the active to the patient.

Selling meanwhile – particularly just because things are going down – may be the unwise choice.

Unsurprisingly then - as in 2003, 2008 and 2020 - we pointedly stand by our value-based approach, and we have therefore opted for the third way: buying some more of our favourite securities at fire-sale prices. We also keep searching for new opportunities.

So, we will continue value investing amidst the mayhem, while we ask unitholders, as ever, to keep their expectations rational; our customary warning to expect turbulence, applies in full, as we have no way of estimating for how long the present problems will continue or how awkward developments will prove to be. All the quotes from famous people we have used over the years, are doubly appropriate right now.

In closing, we again thank IFSL for their accurate administration in the year and in difficult circumstances; we anticipate the reporting of our semi-annual results in the spring, while unitholders requiring up to date prices etc., should refer to our website.

Graham Englefield / Graham Shaw CFA
Hathaway Investment Management Limited
27 October 2022

www.hathawayinvestment.com

Notes

1. "Equities" means quoted shares and "gilts" means UK government bonds; inflation statistics are from the Bank of England and the performance numbers for certain other funds are from Trustnet.
2. The benchmark is a comparator as to how adroitly the portfolio has been invested over any reasonably long period, the statistic reflecting how a typical conservative private investor's commitments might be constructed, i.e., reflecting our IA cohort.
3. The cumulative figures in the second table very accurately show the total return from 25.11.2002 to 30.09.2022. Any discrepancy is due to rounding and is not material.
4. "Year" (or "2002/2021" etc.) means the Fund year (or years), i.e., 1 October to 30 September.

Distributions

	<u>Year 2022</u>	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>
<u>Income (pence per unit)</u>				
Net income paid 31 May	1.0475	0.6041	0.7397	0.5574
Net income paid 30 November	0.7505	0.3235	0.3534	1.2630
<u>Accumulation (pence per unit)</u>				
Net accumulation paid 31 May	1.4555	0.8384	1.0684	0.7540
Net accumulation paid 30 November	1.0459	0.4538	0.4880	1.7216

Portfolio changes

<u>Purchases</u>	<u>Cost (£)</u>
Big Yellow Group	915,359
Somero Enterprises	793,353
Games Workshop Group	225,963
Total purchases for the year	1,934,675
<u>Sales</u>	<u>Proceeds (£)</u>
Marston's	187,296
Total sales for the year	187,296

IFSL HATHAWAY FUND

AUTHORISED STATUS

IFSL Hathaway Fund (the Fund) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

GENERAL INFORMATION

Investment objective

The investment objective of the Fund is to grow the value of a unitholder's capital and income, over a period of at least 5 years. This growth is expected to come from a combination of gains in investments held and income received by the Fund - such as bond interest and dividends from shares.

Investment policy

The Fund is actively managed, which means the Investment Manager decides which investments to buy or sell, and when, across different industries and regions of the world.

The Investment Manager considers economic and market conditions, but the focus is on individual company analysis. The aim is to identify companies which show good long-term growth potential, and which appear to be undervalued given their prospects.

The Fund will invest between 40 - 85% of its portfolio in the shares of companies. There will be a bias towards enterprises that are expected to pay steady dividends; however, the Fund may occasionally invest in securities which do not pay dividends.

The Fund will invest between 15 - 60% of its portfolio in bonds, which are loans typically issued by companies, governments and other institutions. These will typically be investment grade bonds, where the issuer has a high and reliable capacity to repay the debt. However, from time to time, our operations may include sub-investment grade bonds (which can be more vulnerable to changing market conditions, but typically pay a higher rate of interest) where we judge them to be incorrectly downgraded.

The Fund may also invest in money market instruments, which are shorter term loans.

The Fund will hold cash to enable the ready settlement of liabilities and for the efficient management of the portfolio. The Fund may hold cash up to a maximum of 30%, in extreme market conditions.

Assessing performance

The Investment Association (IA), the trade body for UK investment managers, has created a number of 'sectors' as a way of dividing funds into broad groups with similar characteristics.

The Fund's investment policy puts it in the IA Mixed Investment 40-85% Shares sector. You may want to assess the Fund's performance compared to the performance of this sector.

Rights and terms attaching to each unit class

A unit of each class represents a proportional entitlement to the assets of the Fund. The allocation of income and taxation and the rights of each unit in the event the Fund is wound up are on the same proportional basis.

Assessment of value

The AFM is required to carry out an assessment of value at least annually and publish its findings in a report to investors. IFSL Hathaway Fund is assessed and reported on, in a composite report which the AFM publishes on the website www.ifslfunds.com. The latest report was published on 31 July 2022.

Changes in prospectus

On the 26 November 2021, the AFM changed from Marlborough Fund Managers Limited to another Marlborough Group company, Investment Fund Services Limited (IFSL); and the name of the Fund changed from MFM Hathaway Fund to IFSL Hathaway Fund.

Up to date Key Investor Information Documents, Prospectus and Long Reports and Financial Statements for any fund within the AFM's range, can be requested by the investor at any time.

IFSL HATHAWAY FUND

GENERAL INFORMATION

Remuneration policy

In line with the requirements of UCITS V, Investment Fund Services Limited (the AFM) is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2022 (the AFM's year end) are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
Remuneration paid to staff of the AFM who have a material impact on the risk profile of the Fund				
Senior management	7	757,911	667,666	90,245
Risk takers and other identified staff	2	245,763	203,403	42,360
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.01	1,220	1,075	145
Risk takers and other identified staff	0.01	396	328	68

The total number of staff employed by the AFM was 236 as at 30 September 2022. The total remuneration paid to those staff was £14,048,823 of which £5,197,123 is attributable to the AFM.

The allocation of remuneration to the Fund is based on Assets Under Management (AUM) and the figures disclosed only include remuneration paid to individuals directly employed by the AFM's group. The way these disclosures are calculated may change in the future.

IFSL HATHAWAY FUND

DIRECTORS' STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



Allan Hamer
Director



Helen Redmond
Director

Investment Fund Services Limited
26 January 2023

STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Fund Manager (AFM) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund and of the net revenue and net capital losses on the property of the Fund for the year.

In preparing those financial statements the AFM is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014 and amended in June 2017;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

The AFM is required to keep proper accounting records and to manage the Fund in accordance with the COLL rules, the Trust Deed and the Prospectus. The AFM is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The AFM is responsible for ensuring that, to the best of its knowledge and belief, there is no relevant audit information of which the auditor is unaware. It is the responsibility of the AFM to take all necessary steps to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

IFSL HATHAWAY FUND

STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of the IFSL Hathaway Fund ("the Trust") for the Period Ended 30th September 2022.

The Depositary in its capacity as Trustee of IFSL Hathaway Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Depositary must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Trust, it is our opinion, based on the information available to us and the explanations provided, that in all material respects, the Trust, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

HSBC Bank plc

26 January 2023

IFSL HATHAWAY FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL HATHAWAY FUND

Opinion

We have audited the financial statements of IFSL Hathaway Fund ("the Fund") for the year ended 30 September 2022, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Fund, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 September 2022 and of the net revenue and the net capital losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our audit report thereon. The Manager is responsible for the other information contained in the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our audit report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

IFSL HATHAWAY FUND

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL HATHAWAY FUND

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority ("the FCA")

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the Manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities statement set out on page 6, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up or terminate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF IFSL HATHAWAY FUND

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Accounting Standards (UK GAAP), including FRS 102, the Investment Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the Fund's Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrators, and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk in relation to incomplete or inaccurate revenue recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of a sample of special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Manager with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Fund.
- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's Unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Fund's Unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh

26 January 2023

Notes:

1. The maintenance and integrity of the Investment Fund Services Limited website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

IFSL HATHAWAY FUND

COMPARATIVE TABLE

Income units	Year to 30.09.2022	Year to 30.09.2021	Year to 30.09.2020
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	172.24	145.60	146.65
Return before operating charges*	(34.24)	29.46	2.11
Operating charges	(1.85)	(1.89)	(2.07)
Return after operating charges*	(36.09)	27.57	0.04
Distributions on income units	(0.75)	(0.93)	(1.09)
Closing net asset value per unit	135.40	172.24	145.60
* after direct transaction costs of:	0.10	0.17	0.18
Performance			
Return after charges ^A	(20.95)%	18.94%	0.03%
Other information			
Closing net asset value (£)	5,471,994	7,191,033	6,437,730
Closing number of units	4,041,219	4,174,942	4,421,531
Operating charges	1.15% ^B	1.16% ^B	1.42%
Direct transaction costs	0.06%	0.10%	0.12%
Prices (pence per unit)			
Highest unit price	174.69	179.67	160.35
Lowest unit price	137.10	143.37	114.88
Accumulation units	Year to	Year to	Year to
Change in net assets per unit	30.09.2022	30.09.2021	30.09.2020
	pence	pence	pence
Opening net asset value per unit	239.47	201.29	200.96
Return before operating charges*	(46.31)	40.80	3.17
Operating charges	(2.59)	(2.62)	(2.84)
Return after operating charges*	(48.90)	38.18	0.33
Distributions on accumulation units	(1.05)	(1.29)	(1.56)
Retained distributions on accumulation units	1.05	1.29	1.56
Closing net asset value per unit	190.57	239.47	201.29
* after direct transaction costs of:	0.13	0.23	0.25
Performance			
Return after charges ^A	(20.42)%	18.97%	0.16%
Other information			
Closing net asset value (£)	9,239,750	13,123,211	10,887,393
Closing number of units	4,848,467	5,480,195	5,408,722
Operating charges	1.15% ^B	1.16% ^B	1.42%
Direct transaction costs	0.06%	0.10%	0.12%
Prices (pence per unit)			
Highest unit price	242.79	249.25	219.73
Lowest unit price	191.81	198.13	157.43

^A The return after charges is calculated using the underlying investments bid prices.

^B From 30 April 2021, the Operating Charges (or Ongoing Charges Figure) calculation has been extended to include, where relevant, charges incurred by closed-ended vehicles such as investment trusts.

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the year. Direct transaction costs are the total charges for the year, included in the purchase and sale of investments in the portfolio of the Fund. These amounts are expressed as a percentage of the average net asset value over the year and the average units in issue for the pence per unit figures.

IFSL HATHAWAY FUND

SYNTHETIC RISK AND REWARD INDICATOR (all unit classes)



1	2	3	4	5	6	7
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This indicator aims to give you a measure of the price movement of the Fund based on past data. It uses historic returns over the last five years. If five years' data is not available, simulated data based on a representative portfolio is used.

The Fund has been measured as 5 because it has experienced moderate to high volatility historically. During the year the synthetic risk and reward indicator has remained unchanged.

IFSL HATHAWAY FUND

PORTFOLIO STATEMENT

as at 30 September 2022

Holding or nominal value	Bid value £	Percentage of total net assets %
LOAN STOCKS (30 September 2021 - 15.66%)		
3,157,000 UK Treasury 0.75% 22.07.23	3,082,100	20.95
Total Loan Stocks	<u>3,082,100</u>	<u>20.95</u>
AEROSPACE AND DEFENCE (30 September 2021 - 4.70%)		
257,100 Babcock International Group	717,309	4.88
Total Aerospace and Defence	<u>717,309</u>	<u>4.88</u>
BEVERAGES (30 September 2021 - 8.19%)		
65,400 Britvic	467,937	3.18
29,600 Diageo	1,114,144	7.57
Total Beverages	<u>1,582,081</u>	<u>10.75</u>
CLOSED END INVESTMENTS (30 September 2021 - 6.76%)		
211,000 Downing Strategic Micro-Cap Investment Trust	109,720	0.74
163,250 Henderson High Income Trust	230,999	1.57
122,300 Law Debenture Corp	819,410	5.57
Total Closed End Investments	<u>1,160,129</u>	<u>7.88</u>
INDUSTRIAL ENGINEERING (30 September 2021 - Nil)		
170,000 Somero Enterprises	663,000	4.51
Total Industrial Engineering	<u>663,000</u>	<u>4.51</u>
INDUSTRIAL SUPPORT SERVICES (30 September 2021 - 9.39%)		
110,500 PayPoint	643,110	4.37
103,035 RS Group	974,196	6.62
71,061 Travis Perkins	540,348	3.67
Total Industrial Support Services	<u>2,157,654</u>	<u>14.66</u>
LEISURE GOODS (30 September 2021 - 4.42%)		
11,750 Games Workshop Group	665,638	4.52
Total Leisure Goods	<u>665,638</u>	<u>4.52</u>
PERSONAL CARE, DRUG AND GROCERY STORES (30 September 2021 - 3.35%)		
265,959 Tesco	541,493	3.68
Total Personal Care, Drug and Grocery Stores	<u>541,493</u>	<u>3.68</u>
REAL ESTATE INVESTMENT TRUSTS (30 September 2021 - 5.87%)		
59,000 Big Yellow Group	607,700	4.13
785,435 Primary Health Properties	876,545	5.96
Total Real Estate Investment Trusts	<u>1,484,245</u>	<u>10.09</u>
RETAILERS (30 September 2021 - 9.74%)		
10,750 Next	512,883	3.49
Total Retailers	<u>512,883</u>	<u>3.49</u>
TRAVEL AND LEISURE (30 September 2021 - 2.02%)		
OVERSEAS SECURITIES (30 September 2021 - 11.72%)		
4,625 Fresenius Medical Care	118,850	0.81
230 Givaudan	627,884	4.27
17,870 KONE 'B'	618,118	4.20
31,600 Toyo Tire & Rubber	310,139	2.11
Total Overseas Securities	<u>1,674,991</u>	<u>11.39</u>
Portfolio of investments	<u>14,241,523</u>	<u>96.80</u>
Net other assets	<u>470,221</u>	<u>3.20</u>
Total net assets	<u><u>14,711,744</u></u>	<u><u>100.00</u></u>

All investments are listed on a regular market unless stated otherwise.

IFSL HATHAWAY FUND

STATEMENT OF TOTAL RETURN

for the year ended 30 September 2022

	Notes	30 September 2022		30 September 2021	
		£	£	£	£
Income:					
Net capital (losses)/gains	4		(4,096,505)		3,172,775
Revenue	6	408,734		322,963	
Expenses	7	<u>(200,243)</u>		<u>(207,816)</u>	
Net revenue before taxation		208,491		115,147	
Taxation	8	<u>(6,621)</u>		<u>(4,011)</u>	
Net revenue after taxation			<u>201,870</u>		<u>111,136</u>
Total return before distributions			(3,894,635)		3,283,911
Distributions	9		(201,870)		(111,136)
Change in net assets attributable to unitholders from investment activities			<u>(4,096,505)</u>		<u>3,172,775</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 30 September 2022

	30 September 2022		30 September 2021	
	£	£	£	£
Opening net assets attributable to unitholders		20,314,244		17,325,123
Amounts receivable on issue of units	448,826		693,114	
Amounts payable on cancellation of units	<u>(2,080,848)</u>		<u>(947,815)</u>	
		(1,632,022)		(254,701)
Dilution adjustment		773		525
Change in net assets attributable to unitholders from investment activities		(4,096,505)		3,172,775
Retained distribution on accumulation units		125,254		70,522
Closing net assets attributable to unitholders		<u>14,711,744</u>		<u>20,314,244</u>

IFSL HATHAWAY FUND**BALANCE SHEET**

as at 30 September 2022

	Notes	30 September 2022 £	30 September 2021 £
Assets:			
Fixed Assets:			
Investments	17	14,241,523	16,620,506
Current Assets:			
Debtors	10	87,718	90,945
Cash and bank balances		473,241	3,698,357
Total assets		<u>14,802,482</u>	<u>20,409,808</u>
Current Liabilities:			
Creditors:			
Distribution payable on income units		30,332	13,508
Other creditors	11	60,406	82,056
Total liabilities		<u>90,738</u>	<u>95,564</u>
Net assets attributable to unitholders		<u>14,711,744</u>	<u>20,314,244</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017.

The financial statements are prepared in sterling, which is the functional currency of the Fund. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value.

There are no material events that have been identified that may cast significant doubt on the Fund's ability to continue as a going concern for the next twelve months from the date when the financial statements are authorised for issue. The Authorised Fund Manager (AFM) believes that the Fund has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Dividends from quoted ordinary securities are recognised when the security is quoted ex-dividend.

Interest on debt securities is recognised on an accruals basis. Accrued interest purchased and sold on debt securities is excluded from the capital cost of these securities and is treated as revenue. Interest earned from debt securities is accounted for on an effective yield basis. Effective yield is where the interest arising on the security that is purchased at a discount or premium to the maturity value is amortised and recognised at a consistent rate over the life of the security.

Dividends from non-quoted securities are recognised when the right to receive payment is established.

Bank interest is accounted for on an accruals basis.

Allocation of revenue

Revenue, attributable after expenses to multiple unit classes, with the exception of the AFM's periodic charge, which is directly attributable to individual unit classes, is allocated to unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the revenue is incurred.

Expenses

All expenses, other than those relating to purchase and sale of investments, are charged against revenue on an accruals basis.

Valuation

The valuation point was 12:00 on 30 September 2022 being the last valuation point of the accounting year.

Listed investments are valued at fair value which is the bid price.

Taxation

Corporation tax has been provided for at 20% on taxable income less expenses. Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised where the transactions, or events giving rise to them, occurred before the balance sheet date.

Exchange rates

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12:00 on 30 September 2022 being the last valuation point of the accounting year. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

Dilution adjustment

The Fund is priced on a single price basis and may suffer a reduction in value as a result of the transaction costs incurred in the purchase and sale of its underlying investments and the spread between the buying and selling prices of such investments caused by subscriptions and redemptions in and out of the Fund. This is known as "dilution". Under certain circumstances dilution may have a material adverse effect on the existing/continuing unitholders' interest in the Fund. In order to counter this and to protect unitholders' interests, the AFM will apply "swing pricing" as part of its daily valuation policy. This will mean that in certain circumstances the Fund will make adjustments to counter the impact of dealing and other costs on occasions when these are deemed to be significant. Any dilution adjustment will be applied consistently and, in the usual course of business, automatically.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

2 DISTRIBUTION POLICIES

The distribution policy of the Fund is to distribute all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on non-derivative instruments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

Equalisation

Equalisation applies only to units purchased during the distribution period. It is the average amount of income included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the units for UK capital gains tax purposes.

Stock and special dividends

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue of the Fund. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

3 RISK MANAGEMENT POLICIES

In pursuing its investment objective, the Fund holds a number of financial instruments. The Fund's financial instruments comprise securities held in accordance with the investment objectives and policies together with cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued income.

The main risks arising from the Fund's financial instruments and the AFM's policies for managing these risks are summarised below. These policies have been applied throughout the year.

The Fund is managed according to COLL 5, 'Investment and Borrowing Powers' which helps achieve the statutory objective of protecting consumers by laying down the minimum standards for the investments that may be held by an authorised fund. In particular: (a) the proportion of transferable securities and derivatives that may be held by the authorised fund is restricted if those transferable securities and derivatives are not listed on an eligible market. The intention of this is to restrict the transferable securities and derivatives that cannot be accurately valued and readily disposed of; and (b) the authorised funds are required to comply with a number of investment rules that require the spreading of risk.

Market price risk

Market price risk is the risk that the value of the Fund's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Fund holds. It represents the potential loss the Fund might suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to market price fluctuations which are monitored by the AFM in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

Foreign currency risk

The income and capital value of the Fund's investments can be affected by foreign currency translation movements as some of the Fund's assets and income may be denominated in currencies other than sterling which is the Fund's functional currency.

The AFM has identified three principal areas where foreign currency risk could impact the Fund. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Fund. The Fund converts all receipts of income received in currency into sterling on the day of receipt.

Credit and counterparty risk

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its responsibilities. The Fund only buys and sells investments through brokers which have been approved by the AFM as an acceptable counterparty.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

RISK MANAGEMENT POLICIES

Interest rate risk

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Fund's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

The Fund invests in fixed rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of the fund manager being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future.

Liquidity risk

The Fund's assets comprise mainly of readily realisable securities. The main liability of the Fund is the redemption of any units that investors wish to sell. Assets of the Fund may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Fund's assets is regularly reviewed by the AFM.

4 NET CAPITAL (LOSSES)/GAINS

30 September 2022 **30 September 2021**
£ £

The net (losses)/gains on investments during the year comprise:

Non-derivative securities (losses)/gains	(4,096,443)	3,176,570
Currency losses	-	(3,951)
Transaction (charges)/credit	(62)	156
Net capital (losses)/gains	(4,096,505)	3,172,775

5 PURCHASES, SALES AND TRANSACTION COSTS

30 September 2022 **30 September 2021**
£ £

Purchases excluding transaction costs:

Equities	1,924,200	892,274
Debt securities	-	2,974,142
	<u>1,924,200</u>	<u>3,866,416</u>
Equities: Commissions	4,810	2,231
Taxes and other charges	5,666	4,463
Debt securities: Commissions	-	7,435
Total purchases transaction costs	<u>10,476</u>	<u>14,129</u>
Purchases including transaction costs	<u>1,934,676</u>	<u>3,880,545</u>

Purchases transaction costs expressed as a percentage of the principal amount:

Equities: Commissions	0.25%	0.25%
Taxes and other charges	0.29%	0.50%
Debt securities: Commissions	0.00%	0.25%

Sales excluding transaction costs:

Equities	187,768	2,264,640
Debt securities	-	2,642,000
Corporate actions	-	196,451
	<u>187,768</u>	<u>5,103,091</u>
Equities: Commissions	(470)	(5,661)
Taxes and other charges	(2)	(190)
Total sales transaction costs	<u>(472)</u>	<u>(5,851)</u>
Sales net of transaction costs	<u>187,296</u>	<u>5,097,240</u>

Sales transaction costs expressed as a percentage of the principal amount:

Equities: Commissions	0.25%	0.25%
Taxes and other charges	0.00%	0.01%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.03%	0.08%
Taxes and other charges	0.03%	0.02%
	<u>0.06%</u>	<u>0.10%</u>

No significant in-specie transfers were identified in the year (2021: nil).

IFSL HATHAWAY FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

PURCHASES, SALES AND TRANSACTION COSTS

Transaction costs are commissions paid to agents, levies by regulatory agencies and securities exchanges, and transfer taxes and duties associated with investment transactions on the Fund. These exclude any differences between quoted bid and offer prices or internal administrative on holding costs.

Transaction handling charges/(credit)

These are charges/(credit) payable to/(from) the depositary in respect of each transaction:

£62 (£156)

Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date 0.34% 0.17%

6 REVENUE

	30 September 2022	30 September 2021
	£	£
UK dividends	290,779	212,366
UK dividends (unfranked)	31,084	44,377
Overseas dividends	90,510	66,642
Interest on debt securities	(6,243)	(422)
Bank interest	2,604	-
Total revenue	<u>408,734</u>	<u>322,963</u>

7 EXPENSES

	30 September 2022	30 September 2021
	£	£
Payable to the AFM:		
Manager's periodic charge	184,597	191,611
Registration fees	657	583
	<u>185,254</u>	<u>192,194</u>
Other expenses:		
Trustee's fees	6,636	6,893
Safe custody fees	937	1,304
Financial Conduct Authority fee	58	168
Audit fee	7,358	7,257
	<u>14,989</u>	<u>15,622</u>
Total expenses	<u>200,243</u>	<u>207,816</u>

8 TAXATION

	30 September 2022	30 September 2021
	£	£
a Analysis of the tax charge for the year		
Overseas tax	6,621	4,011
Total tax charge (see note 8(b))	<u>6,621</u>	<u>4,011</u>

b Factors affecting the tax charge for the year

The taxation assessed for the year is lower than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below.

Net revenue before taxation	208,491	115,147
Corporation tax at 20% (2021: 20%)	41,698	23,029
Effects of:		
Revenue not subject to taxation	(76,258)	(55,802)
Unrelieved excess management expenses	34,560	32,772
Overseas tax	6,621	4,011
Total tax charge (see note 8(a))	<u>6,621</u>	<u>4,011</u>

At 30 September 2022 the Fund has deferred tax assets of £373,614 (2021: £339,054) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

IFSL HATHAWAY FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

9 DISTRIBUTIONS

	30 September 2022	30 September 2021
	£	£
The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:		
Interim	116,841	71,973
Final	81,047	38,381
Amounts deducted on cancellation of units	4,452	1,615
Amounts added on issue of units	(464)	(832)
Revenue brought forward	(6)	(1)
Distributions	<u>201,870</u>	<u>111,136</u>

10 DEBTORS

	30 September 2022	30 September 2021
	£	£
Amounts receivable for issue of units	-	24,871
Accrued income	39,196	31,860
Taxation recoverable	48,522	34,214
Total debtors	<u>87,718</u>	<u>90,945</u>

11 OTHER CREDITORS

	30 September 2022	30 September 2021
	£	£
Amounts payable for cancellation of units	33,325	51,070
Manager's periodic charge and registration fees	17,634	21,382
Accrued expenses	9,447	9,604
Total other creditors	<u>60,406</u>	<u>82,056</u>

12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 30 September 2022 (2021: nil).

13 RELATED PARTIES

The AFM is involved in all transactions in the units of the Fund, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders and note 9. Amounts due to/(from) the AFM in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the AFM in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due to the AFM at the year end are £50,959 (2021: £47,581).

14 UNIT CLASSES

The unit classes in issue for the Fund and the annual management charge for each unit class is as follows:

A Income	1.00%
A Accumulation	1.00%

15 UNITHOLDERS' FUNDS RECONCILIATION

During the year the AFM has issued and cancelled units as set out below:

	Income	Accumulation
Opening units in issue at 1 October 2021	<u>4,174,942</u>	<u>5,480,195</u>
Unit issues	107,011	123,680
Unit cancellations	(240,734)	(755,408)
Closing units in issue at 30 September 2022	<u>4,041,219</u>	<u>4,848,467</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

16 RISK DISCLOSURES

Market price risk sensitivity

A five per cent increase in the market prices of the Fund's portfolio would have the effect of increasing the return and net assets by £712,076 (2021: £831,025). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the year end date a portion of the net assets of the Fund were denominated in currencies other than sterling with the effect that the balance sheet and total return can be affected by exchange rate movements.

Foreign currency exposure at 30 September 2022

	Investments £	Net other assets £	Total £
Euro	736,968	34,641	771,609
Japanese Yen	310,139	315	310,454
Swiss Franc	627,884	13,566	641,450
US Dollar	-	13,058	13,058
	<u>1,674,991</u>	<u>61,580</u>	<u>1,736,571</u>

Foreign currency exposure at 30 September 2021

	Investments £	Net other assets £	Total £
Euro	1,180,848	21,897	1,202,745
Japanese Yen	420,087	(698)	419,389
Swiss Franc	778,586	12,317	790,903
	<u>2,379,521</u>	<u>33,516</u>	<u>2,413,037</u>

Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by £86,829 (2021: £120,652). A five per cent increase would have an equal and opposite effect.

Interest rate risk

30 September 2022 **30 September 2021**
£ £

The interest rate risk profile of financial assets and liabilities consists of the following:

Financial assets fixed interest rate	3,082,100	3,181,483
Financial assets floating rate ^A	473,241	3,698,357
Financial assets non-interest bearing instruments	11,247,141	13,529,968
Financial liabilities non-interest bearing instruments	<u>(90,738)</u>	<u>(95,564)</u>
	<u>14,711,744</u>	<u>20,314,244</u>

^A Floating rate assets and liabilities comprise bank balances and overdrafts, whose rates are determined by reference to SONIA or an international equivalent borrowing rate. Interest on investments is variable based on the distribution received from underlying investments.

Interest rate risk sensitivity on debt securities (based on the weighted modified duration)

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. A 0.5% increase in interest rates would have the effect of decreasing the return and net assets by £12,115. A 0.5% decrease would have an equal and opposite effect.

Liquidity risk

30 September 2022 **30 September 2021**
£ £

The following table provides a maturity analysis of the Fund's financial liabilities:

Within one year:		
Distribution payable on income units	30,332	13,508
Other creditors	<u>60,406</u>	<u>82,056</u>
	<u>90,738</u>	<u>95,564</u>

IFSL HATHAWAY FUND

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

17 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	30 September 2022		30 September 2021	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	14,241,523	-	16,620,506	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	-	-	-	-
	<u>14,241,523</u>	<u>-</u>	<u>16,620,506</u>	<u>-</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Fund classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument;

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1; and

Level 3 - Valuation techniques using unobservable inputs.

18 POST BALANCE SHEET EVENTS

Since 30 September 2022, the Net Asset Value per unit has changed as follows:

	Net Asset Value per unit (pence)			Movement (%)
	29 September 2022 ^A	19 January 2023		
Income	137.10	149.58	9.10%	
Accumulation	191.81	210.41	9.70%	

^A These Net Asset Values differ from those in the Comparative Table as they are the quoted Net Asset Values.

IFSL HATHAWAY FUND

DISTRIBUTION TABLE

Interim distribution for the period from 1 October 2021 to 31 March 2022

Group 1: units purchased prior to 1 October 2021

Group 2: units purchased on or after 1 October 2021

		Net revenue 31 March 2022	Equalisation 31 March 2022	Distribution paid 31 May 2022	Distribution paid 31 May 2021
		pence per unit	pence per unit	pence per unit	pence per unit
Income	Group 1	1.0475	-	1.0475	0.6041
	Group 2	0.9558	0.0917	1.0475	0.2922
Accumulation	Group 1	1.4555	-	1.4555	0.8384
	Group 2	0.9043	0.5512	1.4555	0.4911

Final distribution for the period from 1 April 2022 to 30 September 2022

Group 1: units purchased prior to 1 April 2022

Group 2: units purchased on or after 1 April 2022

		Net revenue 30 September 2022	Equalisation 30 September 2022	Distribution paid 30 November 2022	Distribution paid 30 November 2021
		pence per unit	pence per unit	pence per unit	pence per unit
Income	Group 1	0.7505	-	0.7505	0.3235
	Group 2	0.7505	-	0.7505	0.1207
Accumulation	Group 1	1.0459	-	1.0459	0.4538
	Group 2	0.9780	0.0679	1.0459	0.2864

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